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Company Programs to Ease the Impact of Shutdowns

by Ronald E. Berenbeim

A Research Report from The Conference Board

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Highlights

Facility closings and substantial layoffs are common events in all U.S. industries, and in every region of the country. Of 512 human-resource vice-presidents responding to a Conference Board survey, 44 percent reported at least one shutdown since January 1, 1982, and 59 percent noted either a closure or a significant reduction in force in the period which has elapsed since that date. These episodes occurred in 41 states.

Company Closure Practices: Evidently, many U.S. companies now recognize closures and layoffs as a fact of business life. There is a developing consensus that programs for dislocated workers should include severance; notice; extended health care; and outplacement.

There is no consensus regarding other closure practices, but the following are found in some programs: retraining, counseling, child care assistance, company grants to local service organizations, and donations of plant and equipment to communities.

State Programs: The primary vehicle for public assistance to displaced workers is the Federal Job Training Partnership Act (JTPA), Title III. Although company officials are critical of JTPA administration, all of the programs that were studied in detail benefited directly or indirectly from JTPA grants. Problems encountered with JTPA include: Delays in funding allocations, complicated paperwork, differences in company and governmental approaches, and the need for funding from more than one JTPA agency.

Community Efforts: Among the six closings selected for detailed study and analysis, two communities—San Jose, California and Louisville, Kentucky—maintain a coordinated effort of local service organizations to deal with plant-closing issues. In Denison, Texas, Levi Strauss & Co. contacted the agencies and built an effective network for employee support. In Houston, Texas, this task was achieved through cooperation between the local union (United Steelworkers of America) and the Houston AFL-CIO Community Services office.

The Employees' Reaction: Employee reception of company programs was favorable. All industrial plants studied noted productivity improvements in the period following the closure announcement.

About This Report

For a composite picture of company policies and practices on facility closures, this study places heaviest reliance on a questionnaire that was mailed to the human-resource vice presidents of 1,900 U.S. companies. Five hundred twelve (27 percent) responded. Of this group, 224 reported at least one closure episode between January 1, 1982 and December 31, 1984. Each of these firms provided detailed information on its programs and benefits for displaced workers. (See table below for a description of the responding companies.) Not all survey respondents answered every question. Charts and tables are based on the number responding to the specific question. To gain an overview of state practices, a separate survey was mailed to the Job Training Partnership coordinators in 50 states; 26 (52 percent) replied.

The case studies were developed from interviews. For a discussion of why these companies were chosen, see page 23. Unusual circumstances dictated a novel approach. Although corporate personnel did describe their companies' efforts on behalf of displaced workers, it was deemed essential that those who had lost their jobs be given an opportunity to discuss the programs and the impact of the closing on themselves and their families. The author visited all the sites and interviewed a minimum of six former hourly and managerial employees at each location. In most instances the company provided the names of the interviewees, but often individuals were on company premises and were asked if they wished to participate; they usually did. These discussions took place in homes and in the outplacement centers. Occasionally a spouse was present, but no company representative participated in any of the meetings. The case studies also include data gathered from conversations with outplacement center directors, state and Private Industry Council officials, and heads of local service organizations. Where they played an important role in the process, consultants and educators were also contacted.

Profile of Respondents to the Company Survey

Dominant Business (Companies Responding = 485)	***Number***	***Percentage***
Manufacturing	198	41
Nonconsumer products	103	21
Consumer durables	43	9
Consumer nondurables	52	11
Financial	185	38
Utilities	56	12
Transportation	11	2
Other	35	7
1983 Sales, in millions (Companies Responding = 421)		
$1-299	129	31
$300-599	77	18
$599-1,399	70	17
$1,400-2,999	63	15
$3,000 +	82	19
Number of Employees, 1983 (Companies Responding = 428)		
1-999	71	17
1,000-2,999	119	28
3,000-5,999	73	17
6,000-19,999	91	21
20,000 +	74	17

Why This Report

Worker dislocation is as old—and pervasive—as technological change itself: Facilities are closed as one kind of work becomes outdated and another takes its place. Yet today this kind of dislocation appears to be occurring at a faster rate, and affecting a greater scope of industries than ever before.

Company initiatives to cushion the shock of job loss for these older, more experienced employees—the typical victims of this dislocation—are growing in number and variety. This study draws on extensive interviews with affected employees and corporate, union, government and community officials, to gain critical insights into these closing practices.

The project, which was partially funded by a grant from the U.S. Department of Health and Human Services, is part of a continuing effort by The Conference Board's Work and Family Center to explore the impact of workplace issues on family life. The Conference Board offers special thanks to those who participated in this study. The time they invested should benefit business, labor and community leaders seeking ways to alleviate the stress of job loss on families and communities.

JAMES T. MILLS
President

Part I

Programs for Displaced Workers: An Overview

Chapter 1

The Dimensions of the Problem

DATA ON PLANT CLOSINGS and resulting job loss are not wholly reliable. Recognizing that "the lack of data concerning business failures and layoffs was a major problem in evaluating possible solutions," the General Accounting Office has announced that it will survey the prevalence of business closures and layoffs.[1] A recent Bureau of Labor Statistics study estimated that approximately 11.5 million workers over the age of 20 lost their jobs between January, 1979, and January, 1984, because of plant closings, employers going out of business, or layoffs from which they had not been recalled.[2]

This project covers the period from January 1, 1982, to January 1, 1985. Five hundred and twelve companies responded to a Conference Board questionnaire, and 44 percent (224) reported at least one closure. The respondents noted 899 individual shutdowns and 144 pending actions. One hundred and ninety-one companies also reported substantial reductions in force. Overall, 59 percent of the responding companies experienced *either* substantial layoffs or a closure. The data indicate that approximately 350,000 jobs were eliminated as a result of these decisions. The companies were moderate- to large-size, with median 1983 sales of $600 million. Although it is not possible to estimate total U.S. job loss for this period from this sample, the prevalence of closures among these respondents suggests that the estimate in the BLS study is not overstated.

Income and Work

"Work," William Faulkner is reputed to have said, "is the only activity in which one can engage for forty or more hours a week." Those who have argued a contrary view have generally not been regarded by the public as persuasive. To gain insight into why this premise is so widely accepted, this study draws upon the views of those who have lost jobs due to facility closures, and it examines company, union and community efforts to help them.

[1]Daily Labor Report, September 11, 1985.

[2]Paul O. Flaim, and Ellen Sehgal, "Displaced Workers of 1979-83: how well have they fared?", *Monthly Labor Review*, June, 1985.

Analysis of company, union and community responses to job loss reveals certain fundamental assumptions with regard to work: Income from work is essential to provide for the necessities of life. Beyond this minimum contribution, continued increase in the responsibilities and revenues that work affords is the only way to achieve comfort and security. For those who hold this view, the problem of dislocated workers can be solved by replacing income through alternative employment.

Victims of facility closures have a different perspective. They do not believe that *income* and *work* are quite the same thing. For a good number of them, generous severance and high welfare and unemployment benefits have limited immediate financial hardship to manageable proportions. This made it possible to live for months, even a year or two, without income from employment. Nevertheless, they felt that something irreplaceable had been lost. They missed the fellowship of co-workers and the daily satisfactions of performing and mastering assigned tasks. As a Ford Company assembly-line worker put it: "I do not miss the money or the plant, I miss the guys."

For those displaced workers who were interviewed, friendships and competence were the product of years of service—the typical employee had been with the facility for nine years. In most instances, other less-experienced workers were laid off prior to the closure, and they had been retained—thereby justifying the description of them by their companies as "the cream of the crop." To support this judgment they cite the higher productivity and quality standards that their plants experienced in the period immediately prior to closing.

Because the decision to close is seldom made abruptly, employees first sense the dimension of the emergency through such measures as reduced work weeks, periodic suspension of operations, and layoffs. Closing the plant is often the last option—undertaken only after other, less drastic, remedies have failed.

A closure may also be preceded by efforts to increase employee involvement in plant and work decisions. The companies that have experimented with these alternatives have found that productivity and worker satisfaction increase as a result. This bodes well for the plant that remains open; but

it fuels anger and disbelief among the workers if the plant is closed. Many employees echoed the sentiments of the man who said: "We had the most productive plant in the system, the program was really working. The company should have consolidated operations here. We were doing a better job than the other plant."

In these circumstances, there is a necessary distinction between the kind of *disbelief* encountered and real *surprise.* Few were shocked by the closure decision because they felt that the company's performance had pointed in that direction for a long time. In fact, some of them chided their corporate headquarters for a lack of realism before the closure. But most were surprised that management chose *their* plant, because they felt that it was one of the company's most cost-effective units—and, in a number of cases, this was true.

Plant Closings: the Legislative Issues

Although a bill requiring 90 days advance notice was defeated by a narrow margin in the House of Representatives in November, 1985, plant closing statutes are pending in 38 states. Massachusetts, Maine and Wisconsin currently have laws that either require advance notice or offer incentives to companies that inform their employees prior to a shutdown.[3]

As is the case of advance notice, extension of health-care benefits to displaced workers may soon claim a prominent position on the public's agenda. Senator Edward Kennedy (Democrat-Massachusetts), and Representative Fortney Stark (Democrat-California) have announced plans to seek legislation that would require employers to offer laid-off workers group health-insurance coverage.[4]

Closure—The Facilities and the Work Forces

Closings and large-scale layoffs were frequent events in all major industry groups during the period January 1, 1982, to January 1, 1985, (see Table 1.) They were most common in manufacturing, where nearly two-thirds of those surveyed reported a closure, and over three-fourths experienced either a shutdown or a layoff. Nor was the expanding financial services industry immune—one-third reported a closure and nearly half had a major reduction in force.

The sample suggests that closings can occur in any region of the country. The 224 reported episodes were located in 41 states. The hardest hit were California—25; Pennsylvania —14; Illinois—12; and New York—11.

The most frequent reason given for closing a facility was a change in company markets (cited by nearly half the respondents), but organizational change was cited by nearly one-third of the participants. Outmoded facilities were among other reasons given (Chart 1).

Over four-fifths of the closings occurred in either manufacturing or finance. There were noteworthy differences in the characteristics of the displaced work forces in these two industrial groups (Chart 2). The manufacturing units were larger and their work forces were composed primarily of older male workers who had been with their companies for a median of twelve years.[5] Interviews with officials in manufacturing companies indicated that the median years of service in their plants would have been considerably higher if the firms had not liberalized their retirement formulas to reduce employment levels. In contrast, the typical displaced worker in the far smaller financial industry facility was young, female and relatively new to the company. The workforce profile for the fifteen companies in retail trade was similar to that of the financial group, while the descriptions for the remaining survey participants (construction, extraction, utilities, and transportation) resemble the data provided by the manufacturing sector.

[3]For a discussion of recent plant-closing legislation in the states and a summary of arguments for and against it, see Thomas J. Leary, "Deindustrialization, Plant Closing Laws, and the States," *State Government,* Fall, 1985.

Supporters of plant-closing legislation focus on the social and economic impact of shutdowns on communities. Barry Bluestone, and Bennett Harrison, *The Deindustrialization of America.* New York: Basic Books, 1982. Opponents argue that legislation is harmful to communities because it unreasonably impairs the mobility of capital. Richard B. McKenzie, (editor), *Plant Closings: Public or Private Choices?* Washington, D.C.: The Cato Institute, 1982. For recent case law on plant closing issues, see *First National Maintenance v. NLRB,* 452 U.S. 666, (1981) and *Otis Elevator and Local 989, International Union of United Automobile, Aerospace & Agricultural Implement Workers of America,* 269 NLRB 162, (1984). For treatment of these issues in the collective bargaining context, see Anne Lawrence and Paul Chown, *Plant Closings and Technological Change: a Guide for Union Negotiators,* Institute of Industrial Relations, University of California: Berkeley, California, 1984.

[4]Daily Labor Report, June 21, 1985.

[5]Other surveys confirm that a majority of displaced workers are men. See Flaim and Sehgal, p.4., and *Families at Risk,* Report of the Marginal Income Task Force, Metro United Way, Louisville, Kentucky, June, 1984.

Table 1: Companies Reporting (N = 512) Closures or Layoffs, by Industry

Industry	Closure or Layoff		Closure Only	
	Number	Percent of Respondents in this Business[1]	Number	Percent of Respondents in this Buisness[1]
Manufacturing:				
Nonconsumer Products	79	77	67	65
Consumer Durables	34	79	30	70
Consumer Nondurables	39	75	25	48
Retail Trade	16	59	14	52
Finance	82	44	59	32
Utilities	20	36	12	21
Transportation	8	73	7	64
All Other	24	69	10	29
All Industries	302	59	224	44

[1]See Profile of Respondents, page vii.

Chart 1: **Reasons Given for Closing a Facility**
(210 Companies)

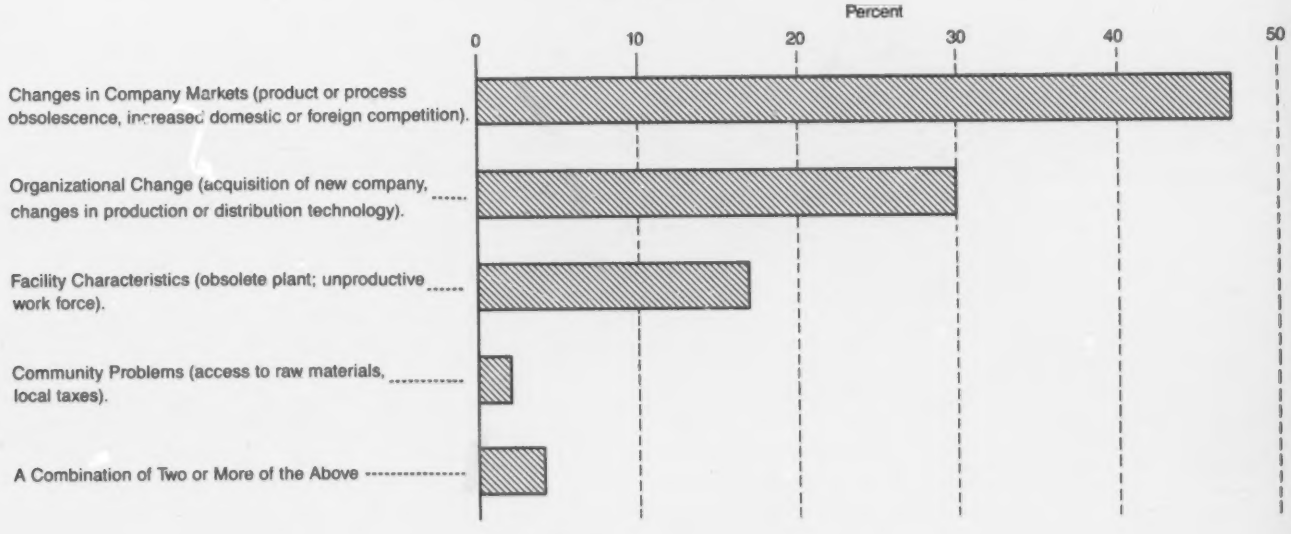
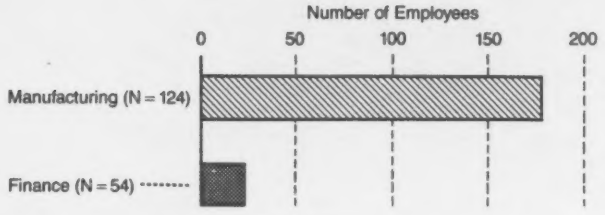

Percent
0
10
20
30
40
50
Changes in Company Markets (product or process obsolescence, increased domestic or foreign competition).
Organizational Change (acquisition of new company, changes in production or distribution technology).
Facility Characteristics (obsolete plant; unproductive work force).
Community Problems (access to raw materials, local taxes).
A Combination of Two or More of the Above

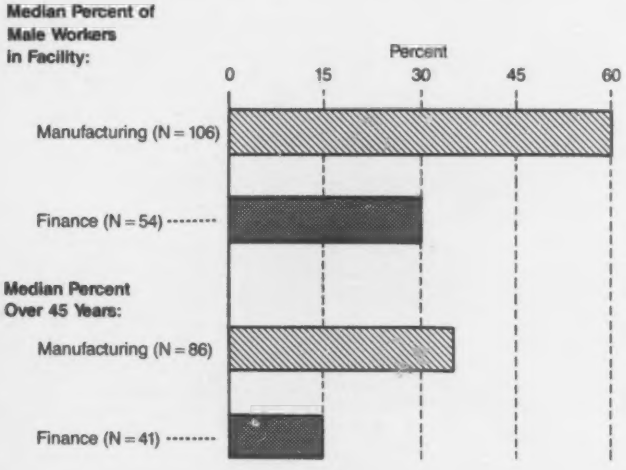
Chart 2:

Comparative Profiles of Manufacturing and Financial Facilities Closed

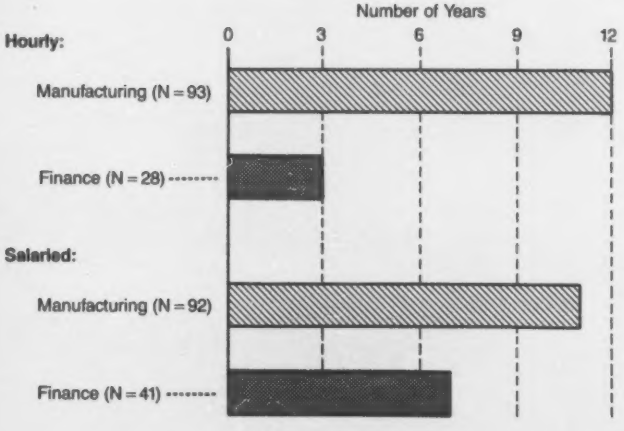
Median Numbers of Employees Displaced in Facility:



Characteristics of Displaced Employees:



Median Years with Company:



Chapter 2
Closure Management and Practices

SURVEY DATA and on-site investigations suggest that the closing of a facility has become a specialized management task—one that often requires its own organizational structure. Seventy-five percent of the companies say they appoint a manager, who is responsible for coordinating major aspects of the closure, including:

- maintaining work flow,
- explaining benefits,
- deciding difficult employee cases with respect to severance and pension eligibility,
- working with local governmental and union officials,
- establishing a network of community-service support,
- managing the outplacement facility, and
- disposing of the plant and equipment.

While a single manager has responsibility for closure in three-fourths of the reported cases, a majority of this group (59 percent) does not yet consider the assignment to be a full-time job.

Organizational Responsibility

Although the coordination of a plant closing is primarily a human-resources responsibility, many closure managers have no contact with the employees who have lost their jobs. Only 61 percent of the companies said that the coordinator discussed the closing with the displaced workers. Field interviews confirmed that this task is sometimes delegated to labor-relations and outplacement specialists, or to supervisors. The closure manager generally focuses on finding jobs for displaced workers and local community relations. The company's top human-resource manager is the corporate official who is most likely to be involved in closure planning; but many closure coordinators also discuss aspects of the shutdown with other company leaders—the CEO, COO, CFO, or the board of directors.

Although there is little effort to build networks with health and service organizations, nearly 40 percent of the respondents do train their supervisors to handle stress problems that arise as a result of the closure. Companies emphasize contact with local union and governmental leaders and efforts to find jobs for displaced workers with other organizations (Table 2).

Roughly 60 percent of the companies feel that these functions require the closure manager to maintain an office at the plant site. This choice is often influenced by the company's size. Among organizations that were below the survey median in annual sales for 1983 ($600 million), less than half established a local presence. Two-thirds of those above the median set up local offices for the plant-closure manager.

Closure Policies and Practices

In addition to severance and pension rights, corporate closure procedures have four key components: (1) advance notice, (2) extension of health-care benefits, (3) outplacement assistance, and (4) counseling.[1] Survey data strongly suggest that companies view these items as a package: When one of the four procedures is used; the others are also likely to be present.

Advance Notice

Both survey and interview participants note that advance notice is beneficial to employees and is an essential element in a plant-closure program. This finding concurs with other studies. For example, the Philadelphia Area Labor-Management Committee found that when worker-assistance workshops are given before layoffs the employee-participation rate is between 70 and 80 percent; when they are offered *after* layoff, it drops to less than 20 percent.[2] Notice is also critical because a functioning plant is, perhaps, the program's single most important resource.

For most of the survey participants, advance notice is an accepted practice. Company managers responsible for closure believe that advance notice, combined with generous severance plans, reduces pressure and anxiety, generates

[1]Because severance and pension formulas vary so widely *within* companies, these elements were deemed too complex for survey examination. They are included in the individual case studies.

[2]*Labor-Management Cooperation at Kelsey-Hayes Leads to Help for Laid-Off Workers.* Available free of charge from the Bureau of Labor-Management Relations and Cooperative Programs, U.S. Department of Labor, Room N5419, 200 Constitution Avenue, N.W. Washington, D.C. 20210.

Table 2: Plant Closure Coordinator's Contacts in Managing the Shutdown

(224 companies; multiple responses)

Discusses Closing With	*Number of Companies*	*Percent*
Within the company		
Employees	136	61%
Top Human-resource manager	96	43
CEO	49	22
COO	48	21
CFO	27	12
Board of Directors	11	5
Outside the Company		
Human-resource managers in other companies	75	33
Local governmental officials	64	29
Local union officials	63	28
National union officials	20	9
Human-Services Providers		
Heads of church and social-service agencies	27	12
Heads of local mental-health agencies	23	10
Heads of local health clinics	16	7

good will, and contributes to improved productivity. In 196 (88 percent) of the 224 closings reported, companies gave some warning; over half of the shutdowns were announced more than three months in advance. And the 54 companies that notified their employees more than six months in advance were significantly more likely to offer retraining and outplacement programs. Among this group of companies, outplacement programs for hourly workers are nearly as frequent as for salaried employees. Those firms that give less than six months' notice are more likely to restrict outplacement assistance to salaried personnel (Table 3).

Viewpoints on Notice

Interviews suggest that, as might have been expected, plant workers and prefessionals have different attitudes toward work: The first group has a primary commitment to the work place, and to the community of which it is part. Professional managers are committed to their careers, and are inclined to leave as soon as they learn that they will lose their jobs at some future date. Assembyline employees view notice as a form of severance. Since the alternative is usually unemployment or jobs that pay considerably less, they appreciated the opportunity to work longer at the higher rate of pay. Although many participated in the outplacement and retraining programs provided by the company, few actually looked for a job or left before their last day of work.

Executives hold different views. They think that they have transferrable skills. Unlike the hourly workers, many are willing to relocate. This flexibility often increases their chances of finding other jobs with comparable pay and responsibilities.[3] They do not feel free to search for work while holding positions of major responsibility within their companies. Many say that there is no time for a job search because of the additional work demands generated by the imminent closure of the facility.

Extension of Health-Care Benefits

Extension of health care benefits is an important issue with displaced workers, particularly older women, whose most pressing concern is family coverage. In a number of instances, their husbands had to defer retirement plans until adequate insurance could be obtained. A substantial proportion of the survey participants (79 percent) do offer this benefit to displaced workers (Table 4).

Cost considerations appear to be a key factor in determining how long benefits will be extended and whether dependent coverage will be included. The firms most likely to pay for dependents' coverage will be included. The firms most likely to pay for dependents' coverage are those that extend benefits for three to five months. The longer a worker's health benefits are extended beyond this point, the less likely it is that dependents' costs will also be continued. (See Table 5.)

[3]A detailed study of 555 former International Harvester employees at the Fort Wayne (Indiana) plant found that managers obtained new jobs more quickly than plant or salaried employees. Patrick Ashton and Peter Iadicola, *Study of the Effects of Economic Diplacement: the International Harvester Report.* Summary available from News Bureau and Publications, Indiana University-Purdue University at Fort Wayne, Fort Wayne, Fort Wayne, Indiana, 1985.

Table 3: Advance Notice and Job-Search Assistance (194 companies)

	Percent of Companies with Program for			
	Retraining		Outplacement	
Length of Advance Notice:	*Hourly*	*Salaried*	*Hourly*	*Salaried*
Less than 3 months (N = 92)	3	5	33	45
3-5 months (N = 48)	4	8	31	50
6-11 months (N = 37)	22	22	62	68
More than one year (N = 17)	41	35	59	65

Outplacement Assistance

A majority of the firms surveyed offer job-search assistance to both hourly and salaried workers. Outplacement programs, resume preparation, and letters to other companies are among the services provided. For the most part, the range of support offered does not differ markedly between hourly salaried workers. (See Chart 3.) Resume preparation is a service that survey participants are most likely to offer salaried employees, but the case studies suggest that practice may change. One reason: Outplacement directors find that even maintenance workers need resumes for job interviews.

Dislocated employees are rarely given paid leave to look for a new job, because plant or office managers find the demands on their facility often increase when closure is imminent. They say that a high level of absenteeism would hamper production. Similarly, although policy discussions of plant-closure issues often focus on retraining, only a small group of companies (11 percent) offer this feature to their displaced work forces. Interviews suggest that this is considered too expensive to be cost effective.

Sixty percent of the companies conduct and supervise their own outplacement programs; the remainder use the services of a specialty firm for at least some portion of the effort. Among the companies that participated in the on-site studies, all but one hired specialists to handle some aspect of the program.

Companies found that their job-search-assistance programs were well received. Three-fifths of them say that over a third of the workers displaced by the closing had made some use of the firms' outplacement centers. It has already been noted that advance notice and continued plant opera-

Table 4: Continuation of Employee Health-Care Benefits (N = 224 companies)

Availability and Duration of Coverage	*Number Of Companies*	*Percent*
Benefits available for:		
Less than 3 months	57	25%
3-5 months	54	24
6-11 months	36	16
1 year or more	27	12
Depends on location or position of employee	4	2
Benefits not available	46	21
Total	224	100%

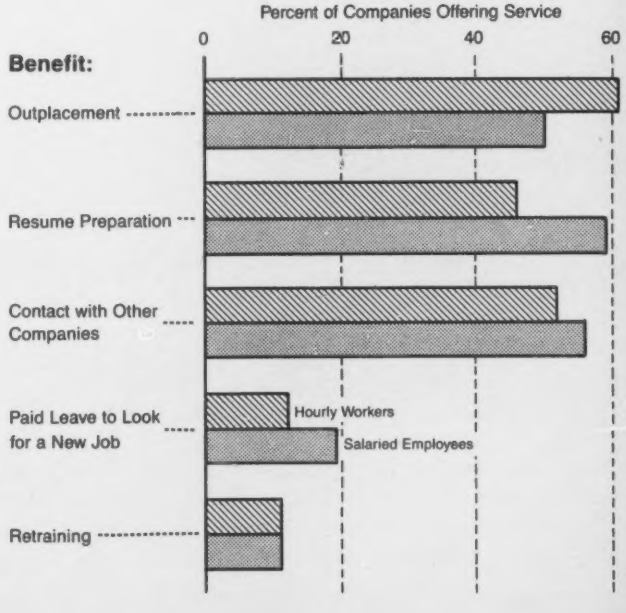
Table 5: Health-Care Benefits to Employees and Dependents After Closure

Duration of Dependent-Care Coverage	*Number of Companies*	*Percent*
Less than 3 months	33	28%
3-5 months	43	36
6-11 months	25	21
1 year or more	16	13
Depends on location or position of employee	3	2
Total	120	100%

Chart 3:

Company Assistance to Employees Seeking Jobs with Other Firms

(224 Companies)



To Retrain or Not to Retrain?

Readers who are familiar with policy discussion of issues relating to dislocated workers may be surprised to see how little interest retraining generates among survey respondents. Of the 224 companies that reported a closing, only 11 percent offer that benefit to either hourly or salaried personnel.

Four reasons are most often cited for this:

- Both short-and long-term results seldom justify the cost of retraining programs.
- Most dislocated workers are highly skilled and able to find new jobs if they are given the right kind of outplacement assistance.
- Retraining is also costly to the employee. Unless it is on-the-job training (OJT), it takes workers out of the job market when they could be earning money.
- Retraining programs lead to unrealistic expectations as to potential job opportunities and income.

Companies that had sponsored successful retraining programs usually note three features that are critical to their success:

Highly sophisticated vocational skills and aptitude testing: They view prompt reporting of results by the test administrator (which can be a problem) as essential.

A comprehensive range of counseling services: Companies with retraining programs find that employees need support and encouragement in their pursuit of a new career. Without it, they can be easily discouraged. In some cases, the family members also require this assistance: They are being asked to defer income while wage earners pursue new careers in which their skills are untested.

A significant number of on-the-job training (OJT) contracts: The opportunity to "earn and learn" neutralizes one of the major objections to retraining. Grant money is available to supplement the employee's base pay during a probationary period. The employer gets the subsidy if the worker is on the payroll for an agreed-upon period of time. (See the Ford-San Jose case study, pp 54-56.) This assistance is not a feature of all OJT arrangements: Some companies have been successful in finding OJT opportunities for their former employees although they have not offered this incentive.

tions may be a critical factor in employee participation in this effort.

Counseling and Support Services

More than half the companies reporting closings say they feel an obligation to continue human-support services. But, with rare exceptions, counseling is the only ongoing program that is extended to displaced workers. More than one-fourth of the companies that closed a facility did offer counseling, but nearly two-thirds of this group discontinued the program after less than six months.

When interviewed, managers express surprise that employee utilization of counseling programs (less than 10 percent) did not increase after the closure was announced. The most frequent explanation given for the lack of interest is that the company's deteriorating economic performance had caused employees to become reconciled to their fate long before they lost their jobs.

Interviews with workers confirm this theory. Many believe that the climate of uncertainty preceding the closure announcement had been worse than the period that followed. Due to layoffs and poor future prospects, a large number of employees had already found second jobs to supplement their incomes.

Those interviewed also said that employees are unwilling to share information on personal difficulties. Some were concerned that there was a lack of trust, but interviews with employees do not support this hypothesis. The real explanation may be more complicated. Job-search workshops emphasize the importance of a positive mental attitude. While no outplacement professional would suggest that this kind of self-assurance can be achieved by pretending that personal problems do not exist, they do stress the importance of getting another job as quickly as possible. When asked about health or family difficulties, many dislocated workers say: "I do not have any problems that work cannot solve." In most instances this was probably true, but the interviews suggest a belief that there are only a limited number of issues that can be dealt with at one time: Confronted with job loss, many decide that finding another job is the first priority, and that trying to resolve personal and family dilemmas might diminish the effectiveness of the job search.

In one instance, the Ford Motor-United Automobile Workers Employee Assistance Program for Alcohol and Substance Abuse, the counselor did report a larger caseload. He attributed this rise to a combination of factors: an active promotion of the program, and a desire by employees to get help while it was still available. He also observed a willingness to admit to problems which might have been embarrassing and jeopardized job security in the past.

The companies are also reluctant to sponsor the kind of major counseling programs that they have undertaken with respect to outplacement. Those interviewed think that human-support services are an area in which they lack expertise. They prefer to focus on helping former employees to find new jobs quickly and, in the process, avoid the social consequences associated with long-term job loss.

On-site interviews suggest that most company counseling takes the form of referrals to the appropriate local social-service agencies. The exception to this rule is established employee-assistance programs, like the Ford-United Auto Workers alcohol and substance abuse service. Many companies do rely on collaboration with union and community organizations: Roughly one-sixth say their programs are conducted jointly with a union or depend on the cooperation of a local community group.

Relationship Between Company Practices and Assistance to Displaced Workers

Companies that (1) discuss the effects of a shutdown with a union prior to closure, (2) train affected supervisors to deal with employee problems arising from job loss, and (3) maintain an on-site office for the closure manager are more likely than others to provide generous services to displaced workers. These firms typically offer two or more of the following: (1) longer advance notice periods, (2) dependents' health-care coverage, and (3) outplacement service for *both* salaried and hourly workers.

The correlation between management-employee dialogue and closure benefits suggests that displaced workers gain from face-to-face contact with company managers. It also confirms that advance notice, dependent coverage, and outplacement *are* considered to be major employee priorities. The presence of a union can be an important factor in the package made available to *all* workers about to lose their jobs. A former Ford manager stated this bluntly: "What the unions get, the rest of us get."

One hundred and thirty responding companies agree with the statement that human support services should be extended to those who lose their jobs because of a shutdown. Companies that hold this view are considerably more likely to pay for dependents' health coverage and to give outplacement assistance to hourly and salaried workers. Company executives who endorse this policy recognize that most employees need assistance beyond the closure date. They do limit this aid, as noted previously, to severance, extension of health-care benefits, and outplacement. One manufacturer summarized the survey consensus on other program options: "While we feel obligated to provide a continuation of company-provided benefits, we feel other services are best furnished by professionals in the community."

Four reasons were often cited for post-closure benefit programs:

* They are a "moral obligation";
* The corporate philosophy and mission statement require them;
* They are necessary for the morale of the employees who remain with the company;
* They are essential for good community relations.

A few companies cited examples of their community-assistance efforts following the plant closure. To compensate for loss of continued support, GTE-Lenkurt gave equipment to a basic engineering laboratory in the local high school, and company employees donated over $12,000. But there was machinery that was too old to be of value to the aspiring engineers of the 1990's. For some of these items the company also found a willing recipient — the Smithsonian Institution. Another company funded a local food bank and gave industrial development funds to the community. One of the firms gave the closed plant to the town. For the most part, however, company initiatives are not directed to the closing-affected communities. A majority of the survey respondents believe this obligation is best met by offering outplacement programs to the displaced workers.

The Issue Of Child-Care Assistance

Some companies considered (often in discussions with unions) the inclusion of child-care assistance in their outplacement package, but ultimately the idea was dropped. They gave one or more of the following reasons to explain this:

Anticipated lack of demand—They did not anticipate child care to be a major problem. While this expectation may have proved correct, it is questionable whether the companies and unions had developed the data to support this assessment. Even a clothing producer, whose predominantly female work force might reasonably have been expected to have such needs, did not provide for this contingency. When it became evident that many women could not attend the firm's outplacement workshop without this assistance, the company reimbursed them for their child-care expenses.

Limited financial resources—Title III of the Job Training Partnership Act, which subsidized those programs that were studied in detail, limits the allocation of funds for human services. The Levi Strauss & Co. program in Denison, Texas found this formula to be too restrictive. While the company was able to pay for child-care expenses incidental to an employee's attendance at the job-search workshop, it could not offer this benefit to those who needed it in order to take retraining.

Perceived Lack of Competence—Although companies and unions did weigh the need for child care, they did so in terms of providing the service themselves. Those interviewed encountered licensing problems, or ultimately did not feel qualified to undertake the effort.[1] Other options, such as contracts with local organizations, were rarely considered. But even if these alternatives had been explored, many communities lack the resources to meet the potential demand for child care.

[1]For a detailed history of the changes in corporate involvement in child-care issues, see Dana Friedman, *Corporate Financial Assistance for Child-Care.* The Conference Board, Research Bulletin No. 177, 1985.

Other Factors in Assistance to Displaced Workers

Among the survey respondents, the manufacturers are considerably more likely to have a generous, well-articulated program for displaced workers than are financial organizations. A larger proportion of manufacturing concerns give more than six-months' notice, pay dependents' health-care premiums, and provide outplacement services for both hourly and salaried workers. On the other hand, financial

companies are more likely to allow salaried workers to look for a new job on company time.

The reason for the closure appears to have some effect on services to displaced workers. For example, companies that discontinue operations because of adverse market trends are more likely to provide outplacement assistance to all employees than are the firms that close plants because of facility problems or changes in their organizational structure. Interviews suggest two possible reasons for the greater prevalence of outplacement where the closing is dictated by market considerations:

(1) Those companies feel that their employees are in greater need of job-search assistance; and

(2) Employees dislocated by market forces can more easily qualify for Job Training Partnership Act (JTPA), Title III assistance.

Chapter 3
Measuring Successful Programs

A PLANT CLOSING is often seen as a defeat for a company. Thus, executives are understandably reluctant to talk about how effectively the closure has been managed. Indeed, the managers say, it is difficult for professionals whose promotions have been earned by improving productivity and profits, to define success in carrying out such a radically different kind of assignment. Nonetheless, survey responses and interviews both suggest a developing consensus among companies as to what constitutes a "successful" shutdown. Among the criteria cited are:

A large percentage of displaced workers are offered and accept a transfer to another company site. An ideal solution is for the company to transfer all employees to the same job at another location. But, with the exception of small branch offices of financial institutions, this option is seldom possible. Even when a company is able to offer geographic reassignment to a large number of workers, realtively few accept. (This problem is discussed in detail in the case studies.) Recognizing this reluctance, 62 of the 224 survey participants reimbursed their employees for all their relocation expenses.

One reason why resistance to a transfer is particularly strong among hourly workers is the depressed real-estate markets in many of the communities that have experienced large-scale job loss. In response to this particular problem, 34 firms have assumed ownership of an employee's home when it cannot be sold within a reasonable period of time. Companies also pay for visits to other facilities and have developed relocation oreintation packets. (for a detailed discussion of one company's relocation policy, see the Armco Steelworks case study.)

If permanent reassignment is not possible when the plant closed, there are other options. For instance, one company created a special work-force action team that offers teamporary jobs at other locations to displaced employees.

Outplacement is provided for those who were not offered or did not accept another job. Companies do not judge the success of their outplacement programs solely in terms of placements. A more common attitude is that outplacement enables workers, who otherwise would have difficulty in doing so, to find jobs.

Certain factors contribute to outplacement success: International Harvester deems it essential that the job center be staffed by employees who have also lost their jobs. Ford cites community relations as an essential component of its job-development efforts. To satisfy doubts that local employers may have concerning the skills and motivation of dislocated workers, closure managers find it useful to invite these potential employers to visit the plant while it is still open.

Employee relations are harmonious. As the case studies show, amicable company-union relations are considered a critical feature. Company spokesman note that this cooperaction is often preceded by employee-involvement programs or concession bargaining. Through these processes the company and the union develop a mutual trust that can increase employee participation in outplacement programs.

Disgruntled workers do not file lawsuits. In addition to union opposition, companies evidently fear litigation. Thus, a low level of legal claims is often cited as evidence of the success of a firm's closure policies.

Severence benefits are liberal and health-insurance coverage is extended beyond the closure date. There is widespread recognition that most of the dislocated workers will be unemployed for a period of time after the closing. Severance pay and continuation of health insurance are thus viewed as essential.

Good community relations are maintained during the closure process. Survey and interview participants emphasize the importance of community relations in managing the closing. It is the community that will provide jobs for the employees who do not transfer, and services for workers who have special problems. In order to maintain good community relations some companies give grants to local welfare agencies, or contribute to redevelopment funds.[1] Although such assistance is not widespread, the companies that provide this aid report that such dononations help the overall success of their programs.

The Plant Closure Manager's Responsibilities

Conversations with plant-closure coordinators underscore how different that job is from an ordinary plant manager's.

[1]See Kathryn Troy, *Studying and Addressing Community Needs: a Corporate Case Book,* The Conference Board, Report No. 866. 1985, pp. 37-46.

They identify three major areas of responsibility that reflect a company's objectives in a plant-closure program: (1) managing the work and winding up the company's business; (2) explaining benefit and severance plans and overseeing an outplacement program; and (3) stepping up community-relations initiatives for job-development and community-impanct assessment.

Although the human-resource department is usually in charge of the closure, some questionaire reponses suggest the need for other high level executives to set uniform policies and to resolve conflicting priorities. Thirty companies said the closure coordinator reports to the CEO or the COO, and in many instances the manager has at least some contact with the CEO (49), the COO (48), the CFO (27), or the Board of Directors (11). (See Table 2.)

Managing the Work

Although adverse business conditions may dictate closure, it is seldom possible to close a facility immediately. For example, there may be orders to fill or services to be provided before shutting down. But with closure imminent, employees' personal concerns can make the fulfillment of long-standing commitments difficult. Workers who find other jobs may want to leave so that they can take the new positions immediately. Others may want to be transferred to maintenance or shipping jobs (typically, the last employees to go off the payroll) so they can qualify for benefits under better severance or retirement formulas.

While the site-study participants have no objection to early departures (due to depressed local economies such occurrences were rare), the transfer requests have to be resolved on a case-by-case basis. In some instances, however, a company took the initiative in making a transfer where significantly reduced pension rights, due to a break in service or some other circumstance, would otherwise result.

None of the workers interviewed complained about a lack of freedom to seek and accept another job, but affected executives had a different experience. Many of them found that their responsibilities increased as a result of closure. And, unlike the plant workers, the ultimate termination date was not always fixed in advance.

Subcontracting

Another problem companies face in plant closing is whether or not to subcontract some work during the closure period. An apparel manufacturer decided against this because the company was concerned that its subcontractors might get into a situation in which they would also be forced to lay off employees—and these smaller companies might have fewer resources for dealing with the problem.

GTE devised an imaginative solution to the subcontracting problem: The company allowed a group of employees to fulfill a contractual commitment and, in so doing, helped to launch a new business that provided jobs for former workers.

Morale

Employee morale was not a problem for the participants studied on-site, though it might easily be one in a typical plant-closing case.[2] Few instances of sabotage or theft were recalled. Drunkenness and drug abuse did not increase. All industrial plants studied noted improvements in quality and productivity in the final phase of the facility's operation. Company officials attribute this phenomenon to three factors:

(1) Employee-involvement programs that were instituted shortly before closure in an effort to save the plant.

(2) Release of pressure and anxiety once an uncertain situation was resolved.

(3) Good will resulting from generous severance plans and effective outplacement programs.

A union official suggested a fourth reason: "When you are looking for a job because your plant has been shut down, it is important for employers to understand that it was not your fault. I think all our people realized that a really good productivity record would help them to find work."

Explaining Benefits and Overseeing Outplacement

One of the major difficulties companies encounter is the need to contact all affected employees and explain the corporation's benefit formulas. This problem was relatively easy to solve for industrial site study participants. All of them announced the closure in advance and, if other efforts failed, the union helped to locate people.

The companies developed printed forms to explain options to each employee in a straightforward, concise manner. Nevertheless, explaining benefits is a time-consuming process as employees have to choose between various alternatives and have to be advised about them.

Those interviewed agree that the supervsion and administration of an outplacement program is far and away the most difficult part of a closure-coordinator's job. The potential obstacles remain formidable, even for the 40 percent that subcontract all or part of this work to specialty firms.

Of the companies participating in the case studies, all but one used consultants, yet those interviewed identified many potential barriers to program effectiveness. These problems fall into four categories: (1) program participation, (2) implementation, (3) job placement, and (4) program barriers in the Job Training Partnership Act, Title III (JTPA).

Program Participation: Getting employees to go to an outplacement center can be a real problem, particularly if the program does not begin several months before shutdown. The closure coordinators point out that the plant provides the basic organization for recruitment of outplacement-center clients. Without a functioning plant, workers are hard to locate and, once found, it is difficult to persuade them

[2]For a description of the community and personal problems that can arise, see John Strohmeyer, "The Agonizing Ordeal of a One-Company Town," *Business and Society Review,* Summer, 1985.

to participate. Even if contacted, many will not cooperate: They avoid the testing and assessment. Some fill out a registration form and go home to wait to be called for available job openings. Once the plant is closed, peer support for involvement in outplacement is missing. The inducement for participation is gone when news of "success stories" cannot be repeated in gossip on the shop floor.

Union cooperation is the next most important ingredient in program recruitment. All of those interviewed feel that union support is indispensable in contacting and persuading members to accept outplacement assistance. Part of this persuasion entailed getting employees to accept the job center as the most realistic alternative to finding work. One union leader recalls that some of his members thought a lawsuit against the company would be a more fruitful course than accepting the company's severance and outplacement package. With some effort, he was able to convince them that such an approach was not realistic. Survey data support the positive contributions of unions. Two-thirds of the respondents said that unions had been helpful in the implementation of their programs, while only 10 percent viewed them as hostile.

Language Difficulties: Even with union support, however, special efforts are required for workers who do not speak English. Such people are sometimes reluctant to avail themselves of outplacement services. Managers say they are intimidated by the assessment process and unwilling to take special courses in English.

Ford Motor Company encountered this problem with approximately 200 Spanish-speaking workers at its San Jose plant. Ford relied heavily on the United Auto Workers to convince this group of workers to participate. The union assigned a Spanish-speaking officer, who worked hard to persuade his co-workers to take instruction in English as a second language. He convinced 89 to do so, showing how tough the language problem can be.

Drop outs: Although all of those interviewed were satisfied with the number of people who completed their programs, they did cite three reasons why sustained employee involvement was not greater:

(1) *Misunderstandings about the scope and demands of the program.* Company officials report that many registrants did not realize that outplacement involved assessment, counseling and job search, and that each of these processes required substantial cooperation.

(2) *Limited prospects for reward.* Long-term employees with large industrial companies participate in what labor economists call an "internal job market." The company, often in negotiation with a union or group of unions, determines their market rate and provides training for the skills that it needs. When a plant closes, people are pushed out of this "internal market" and into an "external market" in which their "value" is often considerably lower. When this happens, it is often difficult to persuade employees to make the substantial time commitment that outplacement requires. The burden of persuasion is even greater when employees benefit from generous severance provisions and have found part-time work to supplement an income eroded by periodic work stoppages. Two or three years later, employees might see the benefit of a permanent job—even at a substantially lower wage. But, in the aftermath of a plant closing, the managers state it is often hard to get people to take the long view.

(3) *Inadequate support services.* Only 58 percent of the survey participants say they feel a continuing obligation to provide human-support services for displaced workers. Those that do generally limit support to counseling. This assistance usually involves referral to local agencies. This approach can be effective, if the closure coordinator has frequent contact with these organizations, but the number of companies in the survey that did this was small—roughly 10 percent.

Among those interviewed, the low priority attached to social- support services is attributed to a lack of competence in the area, and a desire "to do well what we know how to do." Site-study participants, however, found that human-support services are a significant factor in getting more and better outplacement-center participation from their employees. For Example, in the Ford closing at San Jose, the company and the union felt that the potential danger of increased alcoholism and substance abuse necessitated the inclusion of an Employee Assistance Program coordinator on the outplacement and retraining staff.

Implementation: Limited assessment of participants and an undue emphasis on training are cited as potential pitfalls in the implementation phase of an outplacement program. Of these two, assessment is the less serious problem, provided clients can be induced to take the appropriate skills and aptitude tests. (See the Ford case, pp.52-54, for a more detailed discussion of testing.)

Thorough assessment of outplacement clients is especially important if the program includes retraining. Only 11 percent of the survey respondents offer retraining, and its value is a matter of considerable debate. Those who are skeptical point out that retraining is very expensive and tends to generate unrealistic expectations. Unless the retraining is on-the-job, it also consumes valuable time during which workers could become wage earners. Critics feel that when assessment does not relate employee skills and aptitudes to the local job market, retraining programs often fail to justify the investment of the company's money and the workers' time and hope.

Job Placement: Other than the obvious limitations of poor local job markets, executives note three barriers to finding work for their former employees:

(1) *Union affiliation.* If displaced workers were represented by unions, they may be regarded with suspicion by many small companies. Some of these employers fear that hiring them might result in an organizing campaign. It is often necessary for the worker, and in some cases the union, to offer assurances that this will not happen.

(2)*High wages.* Outplacement coordinators at three locations recalled that many of the local employers "thought our people were overpaid and underworked, and that was why we had to close the plant." They found it took a real selling job to convince them that this was not the case.[3] A union leader added that his plant's improved productivity record went a long way toward disspelling that notion.

Prospective employers are also concerned that some will not be able to manage on lower wages and, for this reason, will be poor workers or might soon quit. One closure coordinator found financial planning to be a good device for rebutting that argument: "It is helpful if a guy can go in there and say, 'Look, I have it all worked out, I can live on that.'"

(3) *Need for media attention.* Those interviewed emphasize that a media campaign is a key factor in successful placements. The newspaper articles, television coverage, and advertisements that were part of their efforts attest to the important public-relations element in mounting a large-scale placement operation. All of the closure coordinators agree that a program will not be successful without a media "blitz."

Program Barriers in the Job-Training Partnership Act, Title III:[4]

The closure procedures described in the case studies are expensive, but federal and state monies are available to help meet the costs. A company involved in a closure affecting a substantial number of employees often seeks government assistance. When the public's money is spent, the public's conditions are attached, and these requirements can have a considerable impact on the design of closure programs. As a consequence, any discussion of these projects involves a review of the terms under which funds are allocated.

The Job Training Partnership Act, Title III is one of the principal funding mechanisms for federal aid to dislocated workers. While criticisms of JTPA point to shortcomings, it is important to see these reservations in perspective. All of the programs studied did benefit, either directly or indirectly, from JTPA, Title III funds. Five of them received money from JTPA. (However, allocations for one project were so late that most of the company's former employees had already found jobs.) The sixth firm subcontracted its job-search workshop to a local college that was a recipient of JTPA funds.

Four JTPA-related obstacles are mentioned as either harmful, or potentially damaging, to the effectiveness of job programs:

(1) Delay in the PIC or JTCC decision-making process. Company and union spokesmen feel that the PICs, in particular, had seldom shown initiative in the situations under discussion (or in others in which their organizations had been involved). One manager suggested that the relatively low rank of those representing business on the councils might be a reason for this: "The companies send the indians and not the chiefs. When the time comes to approve something, they say they have no authority." Another cited the potential for conflict of interest among the PIC's members: "Since the PIC is composed in large measure of local service providers—who usually ratify the recommendations of the SDA—a company with a plan for aiding displaced workers has three problems: (1) Many SDAs are staffed by the old CETA crowd and they are interested in *disadvantaged* workers. (2) They do not want the higher-skilled *displaced* employees competing with their less-experienced clients for jobs. (3) A specialty firm from outside the region has a double handicap, because the local service providers want the work, and the public funds that go with it, for themselves. Another problem can arise when the PIC or SDA has limited competence for evaluating a proposal. Sometimes the ability to determine how effective a program can be is just not there."[5]

[3]Other studies have also documented this problem. Ashton and Iadicola, p.2., and Lawrence Inks, "What managers should know about hiring dislocated workers," *Supervisory Management,* December 1985, pp. 28-31.

[4]For a detailed discussion of JTPA, Title III, see Robert F. Cook and others, *State Level Implementation of the Job Training Partnership Act.* U.S. Department of Labor, Employment and Training Administration, Office of Research and Evaluation, 1984.

[5]Others have found similar complaints. See, for example Neal R. Peirce and Robert Guskind. "Training for Jobs," *National Journal,* September 28, 1985.

Delay in the decision-making process for funding allocations seriously affected one of the six programs in this study. By the time the money was actually available, roughly 90 percent of the work force had obtained the necessary assistance from the company. Although the company's former employees were the single largest group serviced, the money was also used to aid other displaced workers within the region.

(2) *Complicated paperwork.* Technical requirements for requests for proposals (RFPs), or concept papers, were a common problem. Companies also complain that reporting procedures are often so demanding that valuable time is consumed in compliance. In some instances, the information requested also changed during the course of the program, so it was difficult to anticipate what data would be required at each step.

(3) *Differences in company and governmental approaches.* Interviews at International Harvester's Louisville (Kentucky) site indicate that there can be a real difference between company and government attitudes in measuring a program's effectiveness. International Harvester was outcome-oriented in its approach and willing to tinker with procedures if they thought it would result in additional placements. State officials were more committed to the program's design and wanted high numbers to justify each component (e.g., intake, assessment, job interviews).

(4) *Multiple PIC or SDA jurisdictions.* As a federal program JTPA legislation rests on the concept of state boundaries. In two of the six case studies, more than 20 percent of the workers lived outside the state in which the plant was located; this resulted in funding complications.

Community Relations

Plant-closing coordinators emphasize the importance of community relations in finding jobs for displaced workers. They recall that much of their time was spent in developing and implementing media strategies for promoting the availability, skills and experience of the work forces. For example, local television news "spots" invariably had the phone ringing off the hook for a few days and, ultimately, resulted in jobs for former employees.

In addition, the plant-closure managers worked their "local luncheon circuits" with speeches and slide presentations. Many staff hours were also devoted to identifying potential job opportunities and visiting with local businesses.

A major plant closing has an impact on local welfare organizations, and two categories of problems were noted:

Reduced levels of support. United Way of Houston, for example, estimated that the Armco shutdown would cost $120,000 in lost donations. A few companies did anticipate an adverse community impact and made special grants to the agencies that they felt would be most likely to experience a decline in support or an increase in caseload.

Changes in the size and composition of agency clientele. There are two reasons why it is difficult to document increases in agency caseloads as a result of any one closure: (1) No facility was so large that the entire community was exclusively—or primarily — dependent upon it as a source of employment. (2) Plant closures are, typically, drawn-out processes, and their effects on social-welfare agencies can only be determined after careful review of figures for a number of years *preceding* and *following* the shutdown. Even when data are available, the causal link between client intake in prior years and the deteriorating economy of the plant is hard to establish. Statistics for the period subsequent to the shutdown (in these particular cases) have not yet been compiled. Officials at four of the six United Way offices felt that the caseload of their agencies had increased (a fifth United Way office did not notice any effect), but this judgment was not supported by data.

A more discernible impact was a change in the composition of the caseload. A staff member of a family-counseling agency in Louisville, Kentucky, recalled that victims of job loss "have essentially middle-class problems, such as children with difficulty in school, rather than the typical concerns of our usual clients which are desertion and wife and child abuse."

The head of the Salvation Army in one Texas city observes a slightly different effect on his organization: "When the company announced that it would close, we did hear from some of its people. Eventually, most of those former employees did find jobs and so we did not have to worry about them, but they took work away from our existing client base and made life more difficult for this group."

JTPA, Title III and the States

Congress enacted the JTPA in 1982, in large measure as a replacement for the earlier Comprehensive Employment Training Act (CETA). JTPA offers assistance to programs that aid disadvantaged and dislocated workers. Title III of the Act sets forth the conditions that apply to the allocation of funds for the latter group. Section 302(a) of the Act authorizes each state to establish procedures to identify substantial groups of dislocated workers. Federal law defines dislocated workers as those who:

(1) Have been, or have received notice that they will be, terminated and are unlikely to return to their previous industry or occupation;
(2) Have lost, or are about to lose, their jobs because of a permanent facility closure; or
(3) Are long-term unemployed and have limited opportunity in the same or a similar occupation in the area in which they live. (This provision also includes workers whose age may present substantial barriers to employment.)

Under the terms of Title III, the states may use this definition *or* develop their own. Among the 26 state JTPA coordinators responding to a Conference Board survey, the majority indicated that their state had elected the second option and, for this reason, eligibility requirements may vary from state to state.

JTPA funding may come from one of three sources:

(1) the State Job Training Coordinating Council;
(2) the U.S. Secretary of Labor's discretionary funds, or
(3) a combination of state and federal funds.

In addition, program expenditures on supportive services, wages, allowances, stipends, and costs of administration must not exceed 30 percent of the federal funds available in each state, unless the source is the Secretary of Labor's discretionary fund.

JTPA authorizes the states to use this financial assistance to aid individuals in obtaining unsubsidized employment through training and related services which may include, but are not limited to—

(1) job search assistance, including job clubs,
(2) job development,
(3) training for skills where demand exceeds supply,
(4) supportive services, including commuting assistance and financial and personal counseling
(5) pre-layoff assistance
(6) programs, conducted in cooperation with companies or unions, that provide early intervention in the event of facility closures and
(7) relocation assistance, where the state has determined that
  (a) workers cannot obtain employment within their commuting area, and
  (b) they have found jobs in another part of the state.

In addition to funding programs, all but three of the twenty-six states say they give technical assistance to projects for displaced workers. In Arizona, for example, the Department of Economic Security offers management information systems training for employees of dislocated worker centers. The Department has also sponsored two statewide conferences on Title III and dislocated workers, and has designed a Pre-layoff Assistance Coordination Team (PACT) for early intervention in impending plant closures.

State JTPA, Title III Programs: a Survey

The JTPA authorizes each governor, acting on recommendations from the state Job Training Coordinating Council (JTCC), to designate Service Delivery Areas (SDA's) within the state. The SDA is a local governmental entity that acts to promote the effective delivery of job- training services.

The State Private Industry Councils (PICs) function as boards of directors and are vehicles for the allocation of

JTPA funds. The PIC includes area business leaders (who must constitute a majority), representatives of all local educational agencies, and members from organized labor, rehabilitation centers, community-based organizations, economic-development concerns, and the public-employment service. The state JTPA coordinators say that PICs have sponsored some initiatives for dislocated workers, but that state agencies have generally been more active in this area.

Survey data provided by 26 state JTPA coordinators indicate that their governmental agencies are more likely than the local PICs to develop general programs that *anticipate* job loss (targeting industries that are vulnerable to worker dislocation) and to sponsor initiatives which will *address widespread plant closures in depressed regions* (economic development). (See the accompanying table for a comparison of initiatives.) This suggests that rather than foreseeing potential demand, some PICs may be operating on a case by case basis and awarding grants to projects for workers who are about to be displaced by impending closings.

Most of the closure managers who were interviewed were critical of both the state and PIC bodies. They felt that procedures under Title III resulted in "program barriers" that added unnecessary delay and complications to their efforts. In addition to their own experience, they pointed to the failure of several states to spend all the funds allocated to them in fiscal year 1984 as evidence of the bureaucratic pitfalls inherent in the legislation.

Of the twenty-six states participating in The Conference Board survey, five say they did not spend all their fiscal 1984 funds. Reasons given include: (1) difficulty in identifying eligible participants; (2) slowness of SDA's in getting their programs into operation, (3) problems in establishing need for specific skill training in areas where dislocated workers are concentrated, (4) high matching-fund requirements; (5) insufficient income for participants while in training; and (6) slowness in processing proposals through PICs and other local approval agencies.

Relatively little is spent for human-support services. Five states say that allocations for this purpose are made by the individual grant recipients and they cannot estimate total expenditures. Eleven JTPA coordinaters say that less than 5 percent of the funds they have disbursed were used for such programs as marital and family counseling, child care, and drug- and alcohol-abuse clinics.

Dislocated Worker Programs (26 states responding)

Program	*Number of States in which Program is Initiated by:* *State Agency*	*PIC*
Planning to target industries that are candidates for worker dislocation	15	6
Human-support-services programs. (counseling, child care, etc.)	13	8
Private-sector cash and in-kind contributions programs for dislocated workers	13	7
Economic-development programs (including such business-retention services as assistance in organizing a worker buyout)	10	2
Contributions to training programs	9	5

Part II
Six Case Studies

The Conference Board selected six closure episodes for detailed study and analysis: (1) Armco steelworks, Houston, Texas; (2) Ford Motor Company, San Jose, California; (3) GTE-Lenkurt, San Carlos, California; (4) International Harvester, Corporate Headquarters, Chicago, Illinois; (5) International Harvester, Louisville, Kentucky; and (6) Levi Strauss & Co., Denison, Texas. With the exception of Ford in San Jose, none of these cases had previously been the subject of detailed public discussion.

Why These Companies Were Chosen

Other efforts to aid dislocated workers could have been used, but these programs met certain important criteria: (1) They had received relatively little attention. (2) They were currently in process, or had recently ended. (3) The major participants, the company, union leaders, and employees could be interviewed on-site. (Table 6 summarizes the characteristics of the work force at each site.)

No attempt is made to compare the effectiveness of these programs; but each site made a special contribution:

(1) *Armco steelworks, Houston, Texas,* documents the serious dislocations faced by a major industry within the country's fourth largest city.

(2) *Ford Motor, San Jose, California,* discusses one of the most ambitious adult-education and retraining programs attempted through company-union cooperation.

(3) *GTE-Lenkurt, San Carlos, California,* demonstrates the serious problems of worker dislocation in high-technology companies.

Job Loss and Health

The potential relationship between job loss and a deterioration in physical and mental well-being has been debated by many social scientists.[1]

Other than weight gain, none of the former employees who were interviewed noted serious health or family problems. An increase of ten or fifteen pounds may not always be regarded as a significant "health problem," but, evidently, it was viewed as such by case-study participants.

A good number of those who were interviewed said that their lives had improved. (Family relations was the area most often cited.) Few recalled that their co-workers had experienced significant difficulties.

But these case studies are not plantwide surveys, nor are they longitudinal research. They can not be used to suggest a relationship (or lack, thereof) between job loss and health.

What does emerge is a fairly consistent picture of people who are coping effectively with a serious personal and family crisis. All of those who were interviewed said that they had been anxious or depressed. But when asked whether these feelings had been debilitating, or caused them serious family problems, they said "no."

[1]See, for example, Louis A. Ferman, and Jeanne P. Gordus, (eds.), *Mental Health and the Economy.* Kalamazoo, Michigan: W.E. Upjohn Institute for Employment Research, 1979. Pp. 63-87 are particularly useful in summarizing the methodological difficulties in linking job loss to deterioration in mental and physical health.

Table 6: Work Force Data for Facilities in Case Studies

Facility and Location	*Number of Employees at Time of Closure*	*Percent Male*	*Percent Hourly*	*Percent Union*	*Percent over age 45*	*Years with Company Hourly Employees*	*Years with Company Salaried Employees*
International Harvester, Corporate Headquarters, Chicago, Illinois	400	70	—	—	40	—	9
International Harvester, Louisville, Kentucky	727	98	87	87	33	13	20
Levi Strauss & Co., Denison, Texas	296	8	90	90	*	9	9
GTE-Lenkurt, San Carlos, California	1000	50	67	67	50	15	15
Armco Steelworks, Houston, Texas	1100	90	80	80	40	16	18
Ford, San Jose, California	2386	94	88	88	39	16	22

*not available

(4) *International Harvester, Corporate Headquarters, Chicago, Illinois,* examines the effect on executives of job loss due to divestiture.

(5) *International Harvester, Louisville, Kentucky,* depicts an industry and company that have suffered dramatic reverses in recent years, and a city that has experienced a particularly abrupt transition from a manufacturing to a service economy.

(6) *Levi Strauss & Co., Denison, Texas*, focuses on a largely female, labor-intensive work force in a low-paying industry.

These cases depict what a small number of companies, unions and communities are doing for their displaced workers. Site interviews do show that their programs took a great deal of planning and determination to bring to a satisfactory conclusion—even with the experience and expertise that these companies, unions and communities were able to bring to the task. And despite such efforts, knowledgeable people said that there were times in each case during which the program's survival was imperiled by events beyond the control of the participants. These programs are inherently fragile. No one who has been deeply involved in them is under any illusions about that point.

"Write that it is hard out there and we are in the business of saving lives," said one executive. Others echoed this sentiment. Conversations with managers, workers, union leaders, and heads of local welfare agencies provide insight into why plant closures are such a calamity for families and communities. In the United States, managing growth and expansion is central to the business process—preparing for potential shutdowns and retrenchment is not.[1]

For this reason, plant-closure programs often resemble rescue missions or salvage operations. Many lives are "saved" through these efforts but, perhaps, earlier consideration of the possibility of failure might have produced better results.

In their shortcomings, as well as their successes, the programs recall the message believed to have been sent by a ship communications officer on the Carpathia to a young New York telegraph operator named David Sarnoff. Watching as the Titanic sank, the officer cabled: "Tell them all that could be done has been done."

[1]For a discussion of the damage a closure can inflict on a company, and alternatives to closure, see William E. Fulmer, "A Resurrection Plan for Dying Factories," *Business and Society Review,* Summer, 1985 (Boston, Mass: Warren, Gorham and Lamont, Inc.), 1985.

International Harvester—Corporate Headquarters (Chicago, Illinois)

Few companies in U.S. business history have experienced as rapid a change in fortunes as International Harvester. Company sales more than tripled during the 1970's, reaching a peak of more than $8.3 billion in 1979. By then the company led in the sales of heavy-and medium-duty trucks, and was second in agricultural equipment. Management expected the 1980's to be a period of growth and innovation and scheduled 52 new products for introduction in 1980.

Yet, during the next five years, the company lost more than $3 billion dollars. The principal causes for the reversal were: two recessions, high interest rates, a deteriorating farm economy, and a five-and-one-half-month strike in early 1980.

These events exacted a heavy price from the company and its 94,000 people (1979 employment). By mid-1984 the company had sold, closed or consolidated 27 facilities; the work force had been reduced to 21,000. During the same period, lenders had exchanged $505 million in loans for convertible preferred stock, a move that would give them 35 percent of the company's shares when, and if, they converted their shares. Despite these draconian measures and an improvement in its trucking business, International Harvester continued to lose money. The agricultural equipment division, which posted a loss of $176 million in 1983, was a major part of the problem.

For a company that traces its history to Cyrus McCormick's 1831 invention of the reaper, farm equipment was not just another business: It was the foundation of the organization.[1] Divestiture of this division would probably mean the end of the company as the public had known it—in size, composition, possibly even in name.[2] Yet on January 23, 1985, the company announced that the agricultural equipment business would be sold to J.I. Case, a division of Tenneco.

In selling the Agricultural Equipment Division, International Harvester identified 3,400 employees as part of J.I. Case's potential work force. Of these, roughly 30 percent were eventually retained. This left 2,500 "redundant" employees, including approximately 400 upper-and middle-level managers. In addition, a small number of clerical workers were laid off.

Seventy percent of the managers were male and the group had a median of nine years of service with International Harvester. Of the sixty percent who were under 45 years old, a large number were in the 40 to 45 age group. Their salaries ranged from $25,000 to $80,000 a year. A company spokesman regarded them as an "elite group" —a dubious honor, under the circumstances. But the description was well founded: These managers had survived for four years as members of an organization that had reduced its work force by over two-thirds. They had been deemed essential to the company—as long as it remained in the farm equipment business. Given the company's history, they were the inheritors of a proud, and seemingly indispensable, tradition.

Severance and Outplacement

International Harvester had more experience in January, 1985, with job-loss programs than it would have liked. Past episodes had given planners a perspective on how the problem ought to be handled. The Manager of Organizational Development summarized the goals: "We focused on getting these people other jobs. This meant workshops, resumes, job development, and placement. We wanted to do the things that we could do, and do well. The things we could not do, or could not do well, would be retraining, assessment and handling emergencies like family counseling and child care, but we found very little apparent need for these special services."

The company believed that its former executives would be more successful in their job searches if they had positive mental attitudes. Achieving this equilibrium meant reducing fear and anger to manageable proportions—a task best accomplished in comfortable surroundings and on a full stomach. For this reason, the company viewed its severance package, which provided two-weeks' pay for every year with the company, as a key element. The maximum payment, however, was fixed at(six years') twelve-weeks' pay. Depending on grade level, employees also received a lump-sum payment of up to six weeks. Nearly everyone also got four weeks' vacation pay. Medical and life insurance were continued for one year after the last day of work.

[1]For a detailed history of International Harvester, see Barbara Marsh, *A Corporate Tragedy: The Agony of International Harvester Co.*, New York: Doubleday, 1986.

[2]On January 7, 1986, the company announced that, subject to shareholder approval, the corporate name will be changed to Navistar International Corp., *The New York Times*, January 8, 1986.

The Outplacement Center

In order to provide comfortable surroundings, the company rented an office close to its corporate headquarters. The space was divided into areas for administration, group meetings, and nine private offices in which individuals could work on their job searches. Job postings, reference materials, and video equipment to use for role playing in mock interviews were made available.

The company wanted to provide an office at a location that would not involve a departure from the usual routine of getting to work. A finance and planning manager agreed that this was the best part: "I need the discipline of getting up early and dressing for the office. Anything that makes me feel like I'm going to work is helpful." Each displaced employee was given a telephone credit card for long-distance calls. The director of the Outplacement Center said "We know that some people are using their cards to make personal calls, but we have to provide them because these men and women are looking for jobs all over the country."

The introduction to the outplacement program took place at a workshop conducted by staff members and instructors from Challenger, Gray and Christmas, an outplacement firm. It began with a staff-led discussion of the behavioral stages typically experienced as a result of job loss. The company prepared a handbook for the course which borrows heavily from physician Elisabeth Kubler-Ross's theories on dealing with the death of a family member. Participants were advised that it is normal to go through disbelief, anger, bargaining, grief and acceptance before preparing for a job search.[3] The company's reliance on the analogy to death was not unusual; other organizations studied by the Board also use an adaptation of this approach in counseling former employees.

After the introductory session, the workshop considered various aspects of coping with unemployment and of formulating a job campaign: for example, financial counseling, support systems, skill inventories, job tracking, applications and interviews. Upon completion of the workshop, clients had individual sessions with company staff and specialists from Challenger, Gray and Christmas. Participants sought counseling whenever they were so inclined, but the staff did make an effort to contact people periodically. Staff members also tried to discuss each job interview before and after it occurred. The company staffed the office with other employees who had lost their jobs, saying that they feel outplacement clients will be more candid with them. If personal problems came to light, the counselors could refer the individual to the appropriate service or welfare organization. Counselors said this rarely happened.

The company policy raises questions as to whether managers recruited for the outplacement center were acting in their own best interests in accepting such positions. Arguably, they were postponing the day when they would inevitably have to look for a job. And while they waited, they saw co-workers—in many instances with their substantial assistance—get jobs that they might have had for themselves.

The counselors at the Center had volunteered for their jobs, and were enthusiastic about the work. They believed that the experience was positive and would help them in their own job searches. They felt the benefits more than justified prolonging this period of uncertainty. One of them liked the new role enough to consider a career change to human resources. Outplacement staff (other than clerical employees) were committed to remain until the Center closed, and information about job opportunities was shared with all Center registrants.

Participant evaluation of the workshops was positive. Although all classes were considered helpful, the sessions that concentrated on the mechanics of the job search (resumes, campaign planning, and interviewing) were more popular than those that required self-examination (coping with the psychological aspects of job loss, taking skills inventories), or facing hard realities (financial planning, support services).

Comments suggest that the positive reinforcement aspects of the workshop were as important as the subject matter. As one individual put it: "It confirmed my own heretical views." Some of these job search tips were:

*Avoid resumes if you can. They are to get you in the door when nothing else will. No resume format is better than any other.

*Appearance will not get you a job, but it could cost you one. Dress the way you would to float a loan from a conservative bank.

*Do not schedule an interview on Monday morning or Friday afternoon. Never make an appointment after 11 a.m. or less than an hour-and-a-half before closing.

*Do not call about an advertisement, ask about a job; say you have not seen the advertisement.

Participants found it helpful to be engaged in a common pursuit with former colleagues. As a manager of strategic planning put it: "Having people you know to share and discuss problems with can be an important support network. It also gives you a benchmark for judging your own campaign."

Some complaints related to administrative and technical problems arose in the early days of the Center's operation. For example: The phone sometimes went unanswered when classes were in session. And participants were occasionally interviewed for inappropriate positions.

International Harvester encouraged spouses to attend outplacement workshops either as participants or as observers. But only two or three accepted the invitation and attended the sessions. Company officials believe the low level of spouse interest could be attributable to three factors: (1) the spouse had a job; (2) the spouse was a wife, who remained at home to care for young children, (3) the spouse was unaware of the program.

[3] See Elisabeth Kubler-Ross, *Questions and Answers on Death and Dying*, New York, 1974; and *Living with Death and Dying*, Macmillan, New York, 1981.

The failure of spouses to attend was thought regrettable because it deprived the employee of the informal involvement of a potentially valuable support system—the family. An outplacement expert who was not involved in this case said: "We think it is very important for the family to go to these workshops. If they participate in the job search, it is good for the client's morale. It is also beneficial to the family, because they know what is happening and they feel they are making a contribution."

The company was also willing, upon request, to provide child-care assistance if an individual could not otherwise take advantage of the program. The service was not actively promoted and was rarely sought.

The company received some financial assistance for its outplacement center from the College of DuPage's Regional Assistance Center for Displaced Workers, an organization funded under Title III of the Job Training Partnership Act. The College paid the cost of the first week of the program (workshop and initial counseling session) for each participant to Challenger, Gray and Christmas.

Because of staggered termination dates, many of those who were eligible for the program had not left the company as of this investigation and had yet to begin their job search. Others had been registered with the Center for only a short period of time. But, according to company records, 60 percent of those active in the job market had been placed by August 1985. Challenger, Gray, and Christmas noted that among those whom they counseled the results were better: Eighty-two percent found new positions and the average length of the job search (3 months compared to 3.2 months) was shorter than for the firm's overall client base. And, surprisingly, no one had accepted employment paying less than their prior positions.

The group's mobility was a key factor contributing to the success of the outplacement effort. Nearly two-thirds of the early registrants said they were willing to relocate. Company officials note that managers tend to be more flexible than factory workers in this respect. They attribute this attitude in part to different home-ownership situations. The typical circumstances, in this group, involved selling a home that had been purchased fairly recently with a low down payment—and a high mortgage-interest rate. Since the value of the house had probably appreciated, the move was affordable. Managers were also more likely to be accustomed to periodic relocations as a fact of company life.

The reverse is often true for International Harvester's blue-collar workers at other locations. They have low-interest mortgages on houses in less desirable areas. In addition, many such employees live in the only town they have ever known. They are reluctant and often unable to move. Of course, some managers were also unwilling to do so; but the reasons were usually different—for example, a spouse had a good job, or the children would have to change schools.

The Employees' Reactions

Unlike their counterparts in the other case studies, the International Harvester executives were surprised when the Agricultural Equipment Division was sold to J.I. Case. Any resolution of International Harvester's problem would displace a large number of executives and there was a climate of considerable uncertainty. But these individuals felt relatively safe—particularly since they had already survived a series of substantial staff reductions.

They had anticipated action by the company to arrest a deteriorating situation, but a merger or sale involving the entire company was thought more likely than was the divestiture of the firm's core business.

Still, there was little anger or regret. Some were relieved that years of constant anxiety had finally ended. However unpleasant the result, it at least had the virtue of certainty. Those interviewed were, perhaps, less accustomed to job and career changes than most managers (all but one had been with the company for more than 10 years) but they contemplated change with equanimity. A transportation and distribution manager said: "I'm a problem solver by nature and by occupation, and I am handling this one like any other."

Corporate managers who had been released by the company when (or shortly after) the sale was announced considered themselves to be lucky: They were glad that they did not have to continue working while anxieties multiplied.

Family and health problems (other than weight gain or loss) appear to have been nonexistent. Indeed, they found their families to be supportive and felt that relations had actually improved. Outplacement-center staff members viewed these responses as consistent with what they had observed in in-depth discussions with all of the participants. Commenting on family relations, one of them said: "We have had a few pregnancies, but that's positive."

The analogy between job loss and the slow death of a member of the family emerged in discussions with all the former International Harvester managers. The actual death was not the worst part. One individual recalled that he had changed positions each year since 1979 because each job that he held had been phased out. Another person commented that the most painful effect was "the *breakdown of organizational memory:* Shortly after I got here, I worked out an imaginative solution to a problem. In fact, the company is still using the system I developed. The following year I did something else that also won praise. These achievements were an important part of my identity. When a company gets into a crisis, many of the people who remember your contributions leave the organization. You find yourself working on difficult problems with total strangers. No one knows or cares about what another person may have done in the past. All that matters is getting out of a jam as quickly as possible. It is very hard to be effective when so much of the foundation of mutual respect has been lost."

Job Loss in the Executive Suite: Recurring Cases

In discussing the International Harvester case, James Challenger, president of Challenger, Gray and Christmas, noted five special situations that typically arise in working with any large group of employees. Each of these "problem" clients found jobs that met their particular needs, and no one was forced to accept a lower salary.

Ambitious Client—Reluctant Family

Some people consider job loss an opportunity. Free at last from the psychological safety net of a secure position—in which they may feel their abilities are insufficiently challenged—they push hard for a spectacular improvement in their situation. These ambitions are often regarded by others as unrealistic, but they are sometimes achieved anyway through a blend of determination, diligence and shrewdness. This "high-yield" strategy demands great patience from family members because it generally takes such an individual longer to find a job.

These persons need a counselor who can balance tolerance for ambition with an appreciation for reality. A sense of how supportive family members will be during this sometimes-quixotic search is also required, particularly when the person ignores realistic possibilities and turns down reasonable offers.

Due to the scarcity of high-level positions, a new job is often in another city. Since acceptance may require sacrifice from other family members, the counselor becomes involved in helping to resolve conflicting priorities. One such situation arose in this group of International Harvester clients. After considerable discussion, the family agreed to a change that necessitated a move but meant a better-than-expected improvement in compensation and responsibilities for one member.

The Single Mother

Single mothers often have three objectives that complicate a job search: (1) *financial*—to continue support at the current level for herself and her children; (2) *location*—to work near home in case of an emergency; and (3) *career*—to engage her efforts fully and build her self-esteem.

Anticipating that her search might take longer because of these requirements, one single mother took part-time secretarial work in order to relieve the immediate financial pressure. Eventually, she found a job in her specialized area (transportation and routing) which met all three criteria.

Unmanageable Stress

Psychiatrists consider job loss, death of a family member, and divorce to be three of the most stressful events a person can confront. Inevitably, there will be some people who have the misfortune of trying to deal with more than one of these problems at the same time. This complicates the job search and, in some instances, illness ensues and hospitalization may be required.

When this happened at International Harvester, counselors kept in constant touch with the clients, expressing concern and encouragement. In two cases, the managers were able to recover sufficiently to find promising new opportunities.

Innovative Solutions

Sometimes a counselor has to provide a fresh perspective for a seemingly intractable problem—one that appears unrelated to the job search, but imperils its resolution. For example, one client was so attached to his home that he turned down two attractive offers requiring a move. He was eventually persuaded to arrange for a relative to stay in the house so that he could keep the option of returning. He then needed help in approaching one of the companies he had turned down to see if the position was still available. It was, he accepted the offer, and moved.

International Harvester —Louisville, Kentucky

Louisville is a city that is changing more rapidly than most—and much of this change is epitomized by the presence of the Humana World Headquarters. Visually, it suggests the grace and charm of the old South and the efficiency of the North. While the Humana building and the restored Belle Epoch hotels suggest a city that is proud of its past and confident of its future, there is another, less visible, Louisville. This is the factory town that has lost nearly one-third of its manufacturing jobs in the last decade. Manufacturing now employs less than one-quarter of the city's work force, and nearly half of that force is female. Of the approximately 35,000 jobs lost in Louisville during the period 1979 to 1982, 86 percent were held by men. Or to put it simply: Women got the new jobs and men lost the the old ones.

The social changes caused by an economy in which women find work and men lose it are not yet fully understood—but some effects are already noticeable. For example, the percentage of Louisville mothers of pre-school children in the work force had risen from less than one-third in 1970 to nearly one-half by 1980.[1] Families were increasingly dependent on the wife's wages: Sometimes it was the only source of income. And each of the new service jobs paid roughly half of the median wage for manufacturing work.

International Harvester and Louisville

Like Humana's headquarters, the story of the International Harvester plant is also typical of what has happened to Louisville. The company had been active in the city since 1946, when it bought the Curtis-Wright plant from the U.S. War Assets Administration. At its peak it employed 6,500 people. In January, 1983, however, a deteriorating farm economy forced closure of the tractor plant that employed 1,800. By late 1983, all that remained were 727 employees at a foundry that made engine blocks, tractor wheels, and other heavy components for farm, garden and road equipment, and a smaller forge operation with approximately 130 workers.

Periodic shutdowns idled the remaining foundry and forge for roughly half the working days during 1983. The company actively and openly sought a purchaser for both facilities. In 1983, a group of local investors tried to buy the foundry, but the effort failed in May. On November 18, 1983, the company announced that the foundry would close on April 30, 1984, and that all foundry operations would be consolidated in Indianapolis. Processing back orders delayed the actual shutdown until August 3, 1984. With the sale of all its foundry facilities and the remaining forge operation to Louisville Forge and Gearworks, Inc. on June 26, 1985, the company ended its 38-year presence in Louisville.

[1]These figures are roughly comparable to the national labor force statistics for 1970-1980. See *National Journal*, October 19, 1985, p. 2388.

The Foundry Work Force

The director of the company's outplacement center described the two years preceding the foundry closing as a "protracted period of grief," but he noted that productivity increased after the shutdown was announced: "Life-styles were already acclimated to the change. People were used to getting only six months work a year. They were now confronted by a definite situation and the pressure was off." He cited one measure of productivity: "The proportion of factory output that had to be used for scrap declined from 14 to 3 percent."

At the time of the closure, 98 percent of the work force was male and 87 percent were hourly union workers. (See Table 6 for other characteristics.) If retirement benefits had not been previously extended to all workers over 55, the company estimated that both the percentage of workers over 45 and the median length of service for hourly workers would have been much higher. The people affected lived in two states: 81 percent in Kentucky: 19 percent in Indiana.

Outplacement Program and Services

Both the company and the United Auto Workers' union recognized the need for cooperation at an early stage of the prolonged lay-off crisis, and had established a National Joint Committee on Retraining and Placement. Set up in April, 1982, the six-person committee had an equal number of company and union representatives. Initially, the committee had two key components in its program to assist all laid-off workers: (1) a tuition-reimbursement program that offered up to $1,000 per year for job-related training, and (2) a free career-transition-outplacement effort. The outplacement service featured a job-search workshop plus labor-market information, instruction on finding a job, and general counseling. This ongoing program had been available to the 1,800 employees laid off in January, 1983, during the closure of the Louisville tractor plant.

Different Perceptions: A Staff Member's View

The Center staff included a former company manager, a factory worker who had been a union official, and specialists from the Kentucky Department of Employee Services. Representatives of each group acknowledged that they approached outplacement issues differently, and this produced occasional conflicts. One of the staff described the contrasting approaches this way: "The private sector is *result oriented*. Those with a private-sector orientation want to get the largest number of placements with the most efficient allocation of resources. If an employer asks for a job applicant, a private-sector operative will send three people out for the interview, on the theory that one individual is more likely to get the job if only a small number of applicants is sent. If that person does well, the Center will develop a good reputation as a source of skilled labor.

"State civil servants have a *component mentality*. For them success depends on achieving high quotas for individual tasks such as intake interviews, assessment, high-school-equivalencies, training and placement. If they cannot show that a large number of people are involved in each of these aspects of the program, future funding might be in jeopardy. State employees are also sensitive to legally mandated preferences for veterans, and avoidance of EEOC and age-discrimination complaints. For these reasons, they might send 30 people for the same job interview. Ultimate placement is only one of several objectives for them.

"Union officials are concerned about *equitable treatment for their members*. They want equal expenditures and opportunities for everyone, so they might also send 30 people out for a single vacancy. They do not want to be accused of showing favoritism.

"Of course, as a practical matter, if you send 30 people out to be interviewed for one job, the chance of getting a placement is not as good as if you send three. Worse yet, the company may not call you the next time because it does not want to deal with so many applicants."

Experience with the early initiative suggested a need for an expanded program that would offer additional services such as testing and assessment, career counseling, job development, placement, retraining, education, and personal and financial counseling. An important feature of the new program was a vigorous tracking system, one that monitored the progress of participants and directed them to social and emergency services, counseling and testing, basic education, and classroom training on an as-needed basis, before they resumed their job search. (See Exhibit 1.) To meet the expense of these additional resources, the company contributed $350,000 and obtained an additional $310,000 in JTPA, Title III funds allocated to Kentucky and to Region 3 of the UAW by the State of Indiana.

A broad-based governing structure was designed to improve coordination with local employment services and training efforts. The organizational structure (Exhibit 2) had three key components:

* *A Steering Committee* composed of:

—International Harvester's Director of Organization Planning and Development

—the UAW's Director of Education and Training Program for the Agricultural Implement Department

—a designee of the Kentucky Department for Employee Services,

—and a representative of UAW, Region 3, for issues regarding the Indiana grant.

The committee was given oversight of all aspects of the Center's operations.

* *A Program Advisory Committee,* including representatives from: International Harvester, the UAW, the Louisville, Jefferson and Hoosier Falls Private Industry Councils—and any additional members that the committee chose to include. This committee functioned as a liaison with the communities served by the Outplacement Center.

* *Three staff members from the Kentucky Department of Employee Services* to work as counselors and to provide specialized assistance in job development, on-the-job training, and educational assistance.

The Outplacement Center, which opened in June, 1984, set the reemployment of foundry workers as its first priority although the services were offered to any laid-off company workers in Louisville. Because the foundry did not close until August, many of the first clients had been victims of the earlier layoffs in 1983. Extending the offer of assistance to these former employees enabled the Center to build up an early caseload.

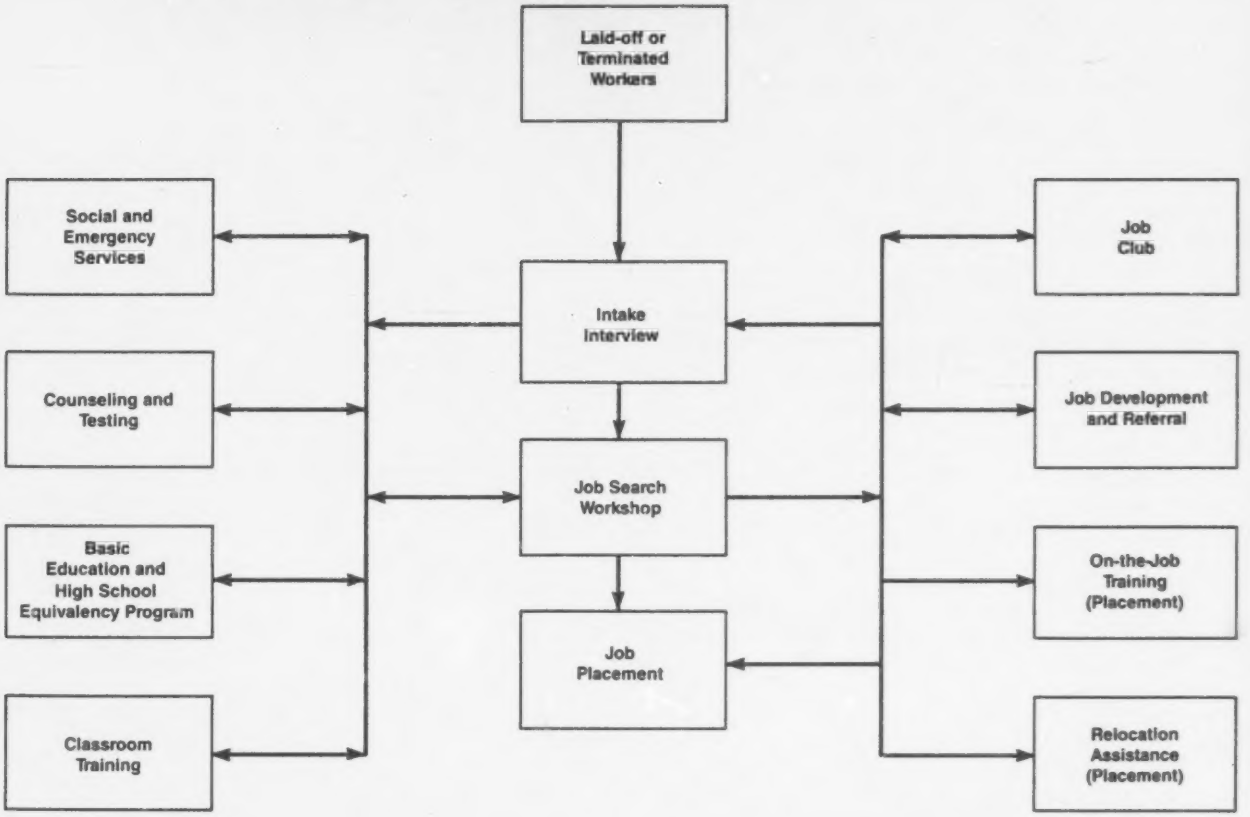
Successful placements were good word-of-mouth advertisements for the Center, helping to establish a network that could alert it to additional jobs. By the time most of the foundry workers came to the Center, it was operating effectively, and the morale of staff members was high.

Company and union officials were pessimistic about their ability to find jobs for the Center's clients. Louisville had lost over one-quarter of its manufacturing jobs in the preceding four years. Most of the foundry workers were less skilled and educated than the factory employees laid off in the previous closures. In the opinion of company and union officials, these factors pointed to a 50-percent placement rate as a realistic target.

The literacy problem turned out to be even worse than anticipated. Some clients were unable to qualify for the high-school-equivalency program. When the staff asked participants to prepare resumes, they found that many could not write. Although spouses were invited to attend the job-search workshop, only a handful did. A staff member recalled that one wife did so because she could take notes for her husband, who could not write. This was helpful because he found a well-paying job as an electrician.

In spite of these handicaps, the Center's performance exceeded expectations. When the grant expired in June, 1985,

Exhibit 1: Louisville International Harvester—United Automobile Workers Employee-Assistance Center Services Flow Chart



the Center had placed 481 clients (55 percent). The median wage for the group was $11.43 per hour. (Hourly rates at the foundry were between $12 and $20) This figure was due in large measure to placements at other company locations: For those who did not get such jobs the new hourly figure was between $7.00 and $7.50. Although the group's skills and literacy were considered low, there was limited enrollment in training courses (106 employees), and there were only eight on-the-job training contracts.

One Center staff member, a Department of Employment Services employee, said that a key reason for the good results was the union contract bidding system: "We found the company had moved people from job to job through bidding. This gave us a large number of people with job-ready skills. A lot of these people had operated forklifts, and done maintenance and inspection work."

International Harvester and the UAW had set job replacement as a high priority, but their JTPA, Title III grant application also committed the Center to providing human-support services (or referrals) on an as-needed basis. They found little demand for such services. As one staff member noted: "For these people to admit need is a stigma. We had difficulty in getting them to come in for help in finding a job. It would be asking a great deal for them to start telling us their personal problems. They had lived with this for some time and had adjusted to it. Financial planning was the one area where we played an important role. We referred them to the credit union, which showed them how to preserve their family savings. Sometimes it was helpful for job seekers to demonstrate that they had a financial plan that would allow them to live on a lower wage than they had with International Harvester. There was also a good deal of misinformation on the subject of personal bankruptcy."

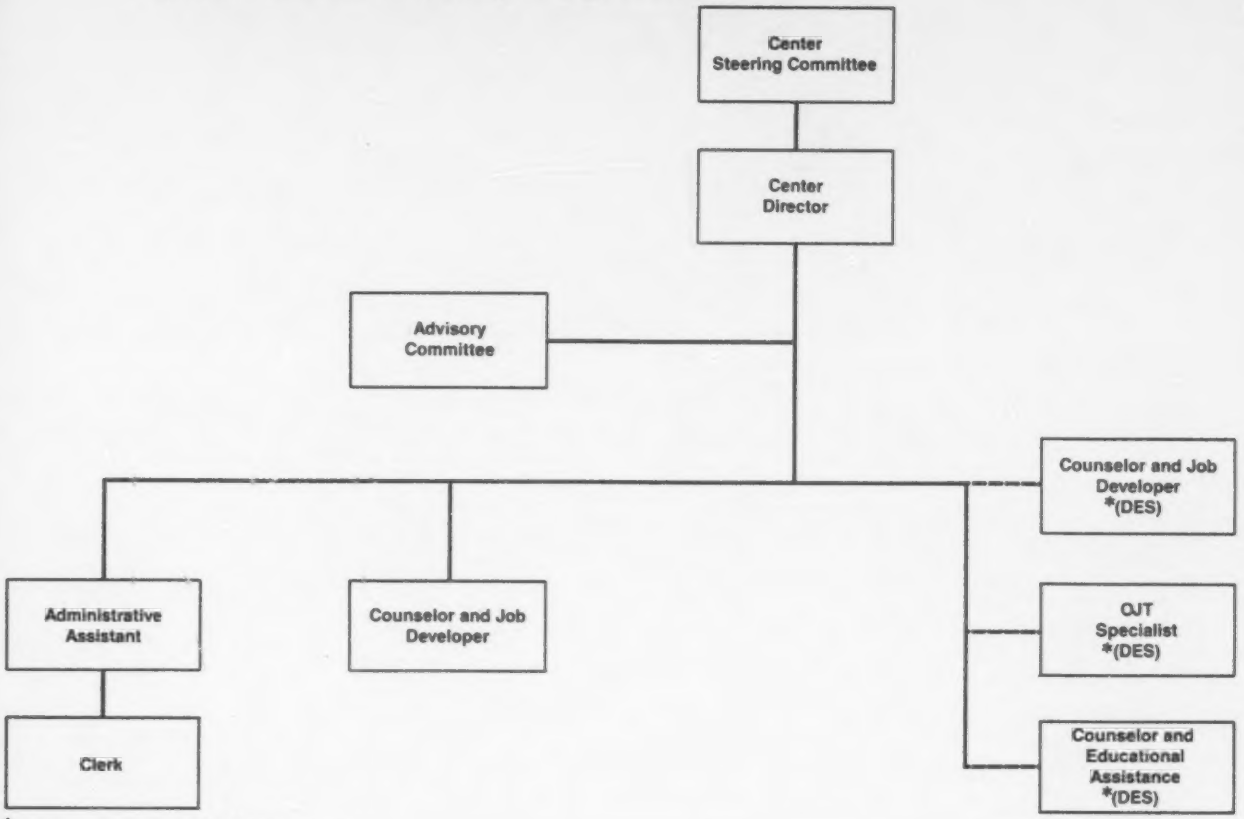
In June, 1985, when the JTPA funding expired, the company was satisfied with the results and decided to pay to continue the program for the rest of the year. The UAW agreed to contribute any money that Region 3 could obtain through continuation of its JTPA grant.

Human Services

With the exception of financial and debt counseling by the credit union, company and union efforts were focused on job replacement. Outplacement counselors referred clients to local agencies for needed help.

Since 1982, factory closures and layoffs had significantly increased the burden and changed the nature of the caseload for these organizations. A United Way official noted that

Exhibit 2: Louisville International Harvester—United Automobile Workers Employee-Assistance Center Organization Chart



*Kentucky Department of Employment Services

the agency's information and referral service received over 13,500 calls in the first four months of 1982—twice the number for the same period in 1981—and 80 percent were unemployment related. United Way of Louisville's Executive Director recalled that the caseload of member organizations rose dramatically in 1982. "When we reviewed our allocations, there was a 25 percent gap between what we felt they needed and what we were able to give them. The agencies also lost over $4 million in the federal budget cuts of 1981-1982, and we had a revenue shortfall of a half a million dollars in 1982. Employee contributions account for 60 percent of our income. When people lose jobs at General Electric, International Harvester, and Brown and Williamson, we raise less money."

United Way's Vice-President for Planning, Allocation and Research said the increase in caseload was felt by most of the member agencies. One of the biggest upturns in case load occurred at ACCEPT, a credit counseling agency, where the number of cases tripled between mid-1982 and the end of 1983. In 1984, ACCEPT's caseload declined somewhat from its late-1983 peak.

Family-and marital-counseling organizations also saw an increase in the use of spouse-and-child-abuse crisis-intervention hotlines, emergency food and shelter, and legal aid requests. There was a greater need for day care because mothers, and even grandmothers, were now looking for work. At least one agency, the Jewish Family and Vocational Service, started a jobs club program to provide peer reinforcement to the unemployed. While youth organizations (such as the Boys Club) did not have an increase in membership, these organizations found it necessary to develop additional programs to offset the stressful situations that children faced at home. And some people looked to United Way agencies for retraining courses—a service that the organizations lacked the resources to provide.

Much of the growth in the Metro United Way caseload was induced by the organization. In December, 1981, the United Way formed Special Outreach Services (S.O.S.) for the Unemployed. This team of specialists continues to provide information about community agencies that can be helpful to displaced workers. S.O.S. participating organizations include ACCEPT, the Salvation Army, the Louisville Urban League, the Legal Aid Society, United Way Information and Referral Service and the Family and Children's Agency. Also represented on the task force are the Kentucky Department for Human Resources, the Jefferson County Department for

Human Services, the Kentuckiana Interfaith Community, business and organized labor. An S.O.S. team contacts company or union officials when it learns of a closing, and asks for an opportunity to make a presentation in the union hall or at the plant site.

S.O.S. actively promotes its services to CEO's of large and small companies, and to union officials. As a result, it often gets requests before a shutdown is public knowledge. An S.O.S. staff member notes that 95 percent of these calls come from unions. It is likely that displaced workers at small facilities (where there is no publicity) or at nonunion plants may be unaware of the services available through S.O.S. organizations.

Another problem is that S.O.S. rarely has enough notice and information to be able to tailor a program to the needs of a particular work force. An S.O.S. staff member commented: "We are able to design a better program in those instances where we have some extra time and are able to sit down with the company and the union to discuss special problems."

Operating within these limitations, S.O.S. agencies have provided services to over 8,000 individuals, many of whom were formerly employed by General Electric, International Harvester, Brown and Williamson, Louisville Gas and Electric, Joseph Seagram and Sons, and Ford Motor Company. United Way records for 1984 show that 56 International Harvester employees obtained help from 16 different United Way agencies. Over half of this assistance came from recreational and social organizations—YMCA, YWCA, Boys Scouts, Girls Scouts, and the Boys Club. The remaining cases involved more serious needs — shelter, psychiatric care for children, and family counseling.

These one-year figures may not fully reflect the problems faced by displaced workers. Although they lost their jobs in 1984, most of them had worked less than half a year in 1982 and 1983 and had faced the prospect of imminent job loss. Quite possibly, they also made demands on the agencies in the earlier years when they were first coping with these problems.

An increase in agency caseloads is only one aspect of the impact of job loss on social service agencies. Also important is the changing composition of the client base. Staff members from these agencies regard this development as more significant than higher volume.

An ACCEPT staff member said that until the early 1980's most of its clients were wage earners who were over-extended and could not pay their monthly debts. "Now we are getting people who have no income and, in many cases, the debts are secured, so they can actually lose something. Many of these people cannot afford utilities or basic housing costs. We have another problem with utilities—gas and electricity are billed together, so you cannot negotiate to pay one and lose the other."

The change in client profile also affected the agency's funding. "We used to be 100-percent funded by local businesses. It was in their interest for us to help the debtor develop a payment plan. Now we are a welfare agency, and we get our money from sources like the United Way."

A counselor from the Family and Children's Agency also noted a change in her agency's caseload. "In 1980, less than one-quarter of our clients were unemployed; in 1983, the last year for which I have figures, more than one-third were out of work. We have seen a steady rise in wife and child abuse as well as in marital problems since 1981. Many of these new cases also have a different 'trigger factor' that brings people into the office. Now it is often concern about the children getting poor grades, being disobedient, or fighting with their schoolmates. People tend to blame themselves: They think it is their fault that they have had to say no when they pass McDonald's or the White Castle. This kind of distress shows a middle-class outlook and is different from the problems of our traditional client base."

The Employees' Reactions

Although they were not shocked by the company's decision to close the foundry, some employees were angry. In their view, the plant was one of the company's most efficient: The foundry operations could just as easily have been consolidated in Louisville as in Indianapolis. One union official thought the company notification process left a good deal to be desired: "I went to the plant manager on the morning of November 18 and asked him if he expected the plant to be open until Christmas. Our members were especially anxious because the holiday season was coming. He said there would be no closing announced before Christmas, so I sent a flyer out with that statement. At two o'clock, the word came from the company. I do not think the manager was lying; he didn't know any more than I did."

Employees recalled few health or emotional problems. Other than a slightly above-average number of divorces, and weight gain, they did not observe many difficulties of this sort among fellow workers. With the prospect of an end to medical insurance, there was a rise in disability claims and elective surgery. Those interviewed felt that the Outplacement Center had played a significant role in reducing anxiety and depression to manageable proportions by providing peer-group support. The company had warned the employees that closure was inevitable. Since frequent shutdowns during the last two years had cut their income in half, in most instances the closing itself was not a shock.

An outplacement counselor from the Kentucky Department of Employment Services notes what may have been the biggest problem: "People would come in and say: 'I am just a laborer. How will I ever find work?' We had to get them to look at what they had actually done. Often they attached no importance to some very significant qualities. For example, employers are very impressed if a guy has not missed a day's work in ten years. It was hard getting them to put a value on dependability.'"

Levi Strauss & Co.—Denison, Texas

Denison, a small northeastern Texas town (population — 27,000), has preserved a continuity with its past that other places lack, and its main street is reminiscent of small-town life in the 1920's or 1930's. Historical associations give a sense of what kind of place Denison was: President Eisenhower was born there in 1890, and Speaker of the House Sam Rayburn lived most of his life a few miles up the road. The best visual indication that one is in rural Texas is the large number of pick-up trucks and four-wheel drive vehicles. People drive a lot in this part of the world, covering great distances to get to work, go to a restaurant, or attend church.

Oklahoma is only twelve miles away. Denison and Sherman (1980 SMSA population—89,796) provide substantial employment for the adjacent section of southeast Oklahoma. The town has a sizable educational and health-care establishment and local officials estimate that these facilities serve a population of over 200,000 from a 20-county area of north Texas and southern Oklahoma. Among these institutions are one two-year and two four-year colleges, a large rehabilitation complex, a cancer treatment and regional dialysis center, and several large hospitals. The area is also well served by various community organizations, including a mental-health agency, a battered-women's shelter, and two day-care centers.

Following the closing of the Perrin Air Force Base in the late 1960's, the Denison Chamber of Commerce and several concerned citizens formed the Denison Industrial Foundation and made land available to new industries. The effort has helped the Grayson County region to maintain a fairly stable economic base, with over 60 employers operating a diversity of light industrial facilities. Texas Instruments, Johnson and Johnson, and Oscar Mayer are among the major companies now active in the area. During 1982-1984, a number of these plants experienced severe production cutbacks. The unemployment rate climbed to 10.4 percent by March, 1983; since then, it has declined steadily and it was down to 5.9 percent in March, 1984.

When it closed in October, 1984, the Levi Strauss Jeanswear plant was one of the oldest in the region, having opened in 1949. There were 296 employees, nearly one-third of whom commuted from nearby Oklahoma communities; over 90 percent were women.

Why the Plant Closed

In the 1970's, Levi Strauss & Co. benefitted from the explosive growth in the jeans market and the firm expanded operations in anticipation of even greater demand. But in the early 1980's, demographic and fashion changes, along with a national recession, resulted in a leveling and ultimately a decline in market potential. This reversal left the company with excess production capacity which increased overhead costs dramatically. This diminished the ability to offer goods at a competitive price and reduced profitability.

The company's initial response to these pressures was to institute a work-sharing program. During 1982, according to one company official, this move saved 2,700 jobs. Throughout 1983, Levi Strauss & Co. factories operated on a four-day work week and instituted periodic week-long closures. Initial staff reductions had already taken place at the corporate level in 1982. In late November of that year, the company closed its plant in Hobbs, New Mexico; 193 people lost their jobs. By mid-1983, the company was operating at 60 percent of capacity, and its markets were not growing sufficiently to justify continued operation of all facilities. In December, 1983, the company decided that additional closings were necessary. A consultant was hired to make specific recommendations. The company closed twelve plants within a year, and announced a thirteenth closing to become effective in 1985. In all, 3,200 jobs were eliminated; a reduction in force of approximately 15 percent.

These closings caused a great deal of anxiety for the management of Levi Strauss & Co. Many of the plants were located in small towns and employed a largely female work force with little education or other job experience. Company officials were deeply concerned that the effect of the closings would be severe on individual communities, and that workers who lost their jobs would have serious difficulty in finding other employment. But there was no alternative: Plants in Greensboro, North Carolina, and Cincinnati, Ohio, were also closed. On June 19, 1984, the company announced eleven more closures, including the one in Denison, Texas. Employees were given a minimum of three-months' notice or pay in lieu of notice. Except for a skeleton crew that remained to administer benefits, the last day of work for the Denison factory work force was October 1, 1984.

Pre-Closure Decision Making and Planning

The company recognized that multiple closings within a short period of time posed problems beyond those inherent in a single plant shutdown. Thirteen communities would each be losing an important resource. Each plant had its own special requirements. There were production targets to meet, orders to fill, personnel policies and individual circumstances

had to be reviewed, leases on individual plants to be terminated or, where the company owned them, facilities to be sold or rented. A task force—consisting of community-affairs, production, personnel and property-management specialists—was formed to address each of these concerns. Legal and communications officers were added to this team. Once a particular location was targeted for closure, the head of the division was asked to submit a plan that identified any problems unique to the location.

The group worked quickly to develop a comprehensive scheme for each situation—one that was as generous as the company felt it could afford. Agreement was eventually reached between staff and line managers on potentially costly items such as notice period, benefits coverage, and relocation. Typically, Levi Strauss & Co. line managers had a more conservative approach to the more expensive elements. In addition, the committee also endorsed a policy for grants to local service organizations that might experience larger caseloads because of the shutdown.

The company also had to decide whether it could achieve needed production levels through higher volume at its own plants or by increasing orders to outside contractors. Levi Strauss decided to rely primarily on its own facilities and to use outside contractors to cover exceptional production needs. Concern that heavy dependence on subcontractors might eventually lead to layoffs among smaller producers with fewer resources than Levi Strauss & Co. was a factor in this decision. In developing its guidelines, the company noted that the rules were not inflexible: The ultimate test of whether to apply a policy to a particular situation would be: Is this action consistent with the company's corporate values.

The components of the program were:

* *Advance Notice*—at least 90 days;
* *Severance*—a formula based on years of service, with a maximum severance pay of 52 weeks;
* *Benefits*—Benefit-plan coverage continued for three to six months, depending on seniority. Maternity expenses were covered, provided the woman had become pregnant prior to the closure of the facility. The company also significantly enhanced its retirement option by reducing the eligibility age from 55 to 50, and offered full medical coverage to employees and their families if they elected that option.
* *Outplacement*—job-search assistance and, where appropriate, retraining. Personnel managers directed employees to local job-related service organizations.
* *Community Relations*—Depending on the needs of the community, the Levi Strauss Foundation would continue making grants in these communities for up to three years.Community-relations specialists developed a rapport with local agencies (in many cases there already was a long-standing relationship) and referred displaced workers to the appropriate social or welfare program. (See Exhibit 3.)
* *Employee Assistance Programs*—Counselors were available on-site to train management for dealing with difficult employee problems.

Taken as a whole, the program reflected several fundamental goals:

* To formulate an approach that was broadly applicable, easily understood, and could be applied in a high percentage of individual situations.
* To train local managers to administer the program sensitively at the plant level.
* To achieve sufficient economies of scale in the program

Exhibit 3: Levi Strauss Foundation Community Grant Guidelines

Foundation grants will also continue in affected communities for a period of one to three years.

a. Any grants in process when the plant is closed will be reviewed, based on the Foundation guidelines. During the review process, particular sensitivity will be given to Community Involvement Team participation, long-term significance of the program to the community and LS & Co.'s social responsibility.

b. The United Way corporate contribution will continue for a minimum of one year and a maximum of three years. The number of years and the amount of the gifts will be based on the following variables:

- The number of years that LS & Co. has operated the facility.
- The economic condition of the community, based on the unemployment rate, and the hiring potential of other corporations based in the community.
- The number of LS & Co. employees compared to the employment base of the area.
- The amount of Foundation money contributed to the community, annualized over the past three years.
- The amount of funds employees have contributed to the United Way, annualized over the past three years.
- Other funding resources available to the community.
- The ability of the United Way to serve the entire community, based on the number and type of agencies supported.

c. Depending upon the needs of the community, the Foundation will make at least one significant grant to a communitywide organization. Examples include a community foundation, a successful employment training and placement program, or an emergency food and shelter program. This grant may also cover from one to three years, and the amount will be based on the same variables as previously listed.

so that adequate human and financial resources remained available for unique and difficult cases.

Two illustrations of how these principles worked in practice are the enhanced retirement option and the outplacement effort:

* *Enhanced Retirement*—In lowering the eligibility age and offering full medical benefits to those who elected the option, the company provided an incentive to retire. Levi Strauss & Co. also reviewed the retirement eligibility of certain individuals who required special consideration. In a number of situations, it was thus able to qualify additional people for retirement benefits. Retirement incentives helped to reduce the number who needed job-search assistance. At the Denison plant 44 (15 percent) chose to retire.

* *Outplacement*—The company retained Singer Career Systems to handle its outplacement efforts at its Denison and Memphis, Tennessee facilities. Singer used two categories of assistance: Tier I—basic job search skills; and Tier II—retraining.

Training of Managers

The training of managers was an important component of the company's program. As already noted, companies that train managers for handling plant closing are markedly more likely to have comprehensive and well-articulated plans for dealing with employee concerns. (See page 11.)

The eight days preceding the June 19th closure announcement at the Denison facility was a period of intense activity. A four-day training and counseling session was held for plant outplacement coordinators, employee-assistance, and community-affairs representatives. On the day before the closing, all managers who would be counseling employees were required to attend a day-long seminar on anticipated employee response and stress-reduction techniques. The corporate official who handled this meeting of Denison managers emphasized both the importance and the difficulty of getting supervisors to work through this process. He recalled: "This was an emotional roller-coaster for them. But once they went through it, they were a powerful resource." Eventually all supervisors participated. He thinks there were three reasons for this: (1) All employees were losing their jobs. The company was not asking managers to terminate good employees while they "stayed on the lifeboat." (2) The managers were in a familiar setting, solving problems with employees on a day-to-day basis. (3) Each manager received detailed instructions on all aspects of the closure. Corporate personnel lent support for difficult technical questions on pension and severance formulas. Trained social workers were available for counseling on serious personal problems.

The Denison Workers

Many of the initiatives taken by the company were shaped by the composition of its work force. A sizable majority of the displaced workers (215 out of 296) at Denison responded to a survey designed to provide the company, the Texas Employment Commission, and Grayson County College with details on the employees's individual circumstances.

Of the group responding, 92 percent were female and the average age was 39. Half of them had been with the company for more than nine years and over one quarter had worked there longer than 15 years. (See Table 6 for other details.) Roughly half had a high school education or better. (Eighteen of these had one or two years of college.) Just over one-third said that they planned to continue with their education. Although most of these were high school graduates or those with some college, thirty-eight others eventually obtained high-school equivalency certificates as part of the outplacement program, and eight were working toward this goal at the time of the Board's visit to the plant site.

The median pay expectation for the company survey respondents was $5.19 an hour. Most individuals felt that "some sort of production work" in the area's many factories was the most likely source of employment. Traveling a considerable distance to work is considered normal in this region, as already noted. Only nine said they would be unwilling to go more than ten miles; over one-sixth of the sample were amenable to a distance of more than thirty miles. The fact that almost a third lived in Oklahoma led to some complications in obtaining adequate JTPA, Title III assistance.

Nearly two-thirds of the survey respondents were working mothers; of this group, over 30 were single. A subsequent survey by Singer Career Systems found that in order to participate fully in outplacement activities, 82 of the outplacement service's clients had a demonstrated need for some day care. Accordingly, the company foundation's community-support initiatives concentrated on agencies that focused on such special needs and concerns as emergency assistance for food, extended credit for utility payments, day-care centers and battered-women's shelters.

The Outplacement Effort

Company experience with local private industry councils (PICs) has been uneven, but the Texoma PIC did become helpfully involved with the Denison closing. In this case, the PIC took the initiative and contacted Levi Strauss & Co. A Texoma PIC official believes: "One difficulty was that the resources were there, but Levi Strauss & Co. did not know where to look for them." PIC leaders felt that there was an excellent chance that Title III funds could be awarded to develop a program for the displaced Denison plant workers, pointing out that North Texas had not yet received a Title III grant and the small work force involved did not require a large sum. Eventually, money was obtained to handle Levi Strauss & Co.'s closing efforts in both Denison and Amarillo, Texas.

The Texoma PIC did not apply for a Title III grant because it already had Title II funding for another program, and the PIC was concerned about administering an effort in which Title III workers would be competing with the PIC's

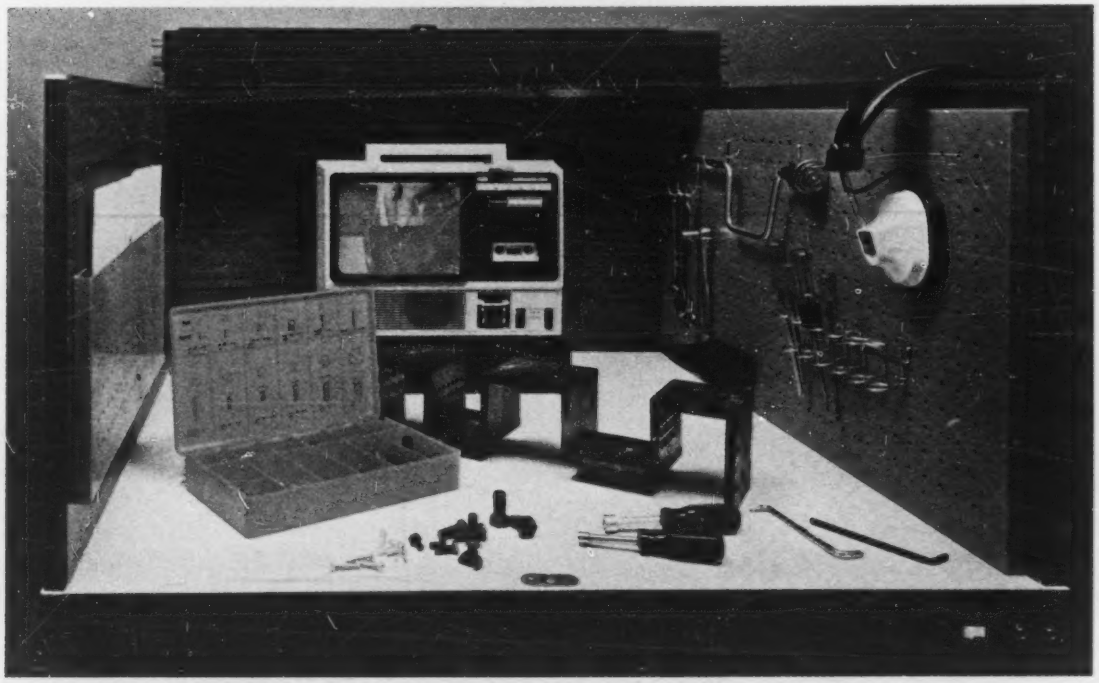
existing client base. The PIC did, however, encourage others to apply and Singer Educational Systems, which had directed Levi Strauss & Co.'s outplacement efforts in Memphis, Tennessee, submitted an application.

As noted, the Singer approach was to classify outplacement assistance in two separate "tiers," and for participants to complete all activities in the first tier before moving on to the second. (Tier I is a basic job-search program and includes assessment, job-search assistance, and job placement follow-up. Tier II offers vocational skills training, classroom and on-the-job training, and more intensive job-search assistance and placement follow-up.) The consultant's view was that a large proportion of Title III workers would only require the far-less-expensive Tier I aid. Using various testing mechanisms and without interfering with employee choice (if someone wanted to be retrained for another occupation, they could elect to do so), Singer was able to identify those employees who could be quickly placed through the far less expensive Tier I assistance. This approach conserved resources for those who required the significantly more costly Tier II services. Ultimately, more than 70 percent of the clients received only Tier I assistance. Most of the Tier II training was for electronic assembly or office occupations. A few recipients took courses in cosmetology, business psychology, and nursing.

The outplacement center's vocational testing equipment is one of the more interesting aspects of the program. Desks are equipped with console units that are essential in the performance of various vocational tasks (see Exhibit 4). A client can take a half or whole-day test in anything from cooking to electrical work to determine aptitude for or interest in different kinds of employment. For the most part, former Levi Strauss & Co. employees said that these tests were both helpful and fun. A few found some of the tests frustrating because they had difficulty in completing them.

Outplacement clients are routed to Tier II services when the testing and interviews reveal a lack of salable job skills, or when a thorough job search does not result in placement

Exhibit 4: Vocational Evaluation System (Singer Education Division)



The VES Bench Assembly work station furnishes a realistic means of exploring a variety of job activities in bench assembly occupations. The job sample is comprehensive, covering a number of job titles in related occupational classifications.

The audiovisual program leads the participant through the entire process from initial work setup to final station cleanup. Jobs in the bench assembly occupations which are simulated at the work station are pictured, with typical work environment sounds and audio description of the work. The critical part of the program is the detailed, step-by-step instructions for performing a series of job tasks representative of a skill cluster.

The final steps are a self-evaluation and an objective rating by the evaluator.

(see Exhibit 5). At the time of The Conference Board's site visit, Singer had placed 70 clients (49 percent). Fifteen of these were on OJT contracts and had not yet completed their probationary period. There was a 92 percent "retention rate" for those who were hired. Seven had dropped out of the program; twenty were still in training; eight were working toward their high school equivalencies, and forty were looking for jobs. Singer anticipated 121 placements, or 80 percent of this client base.

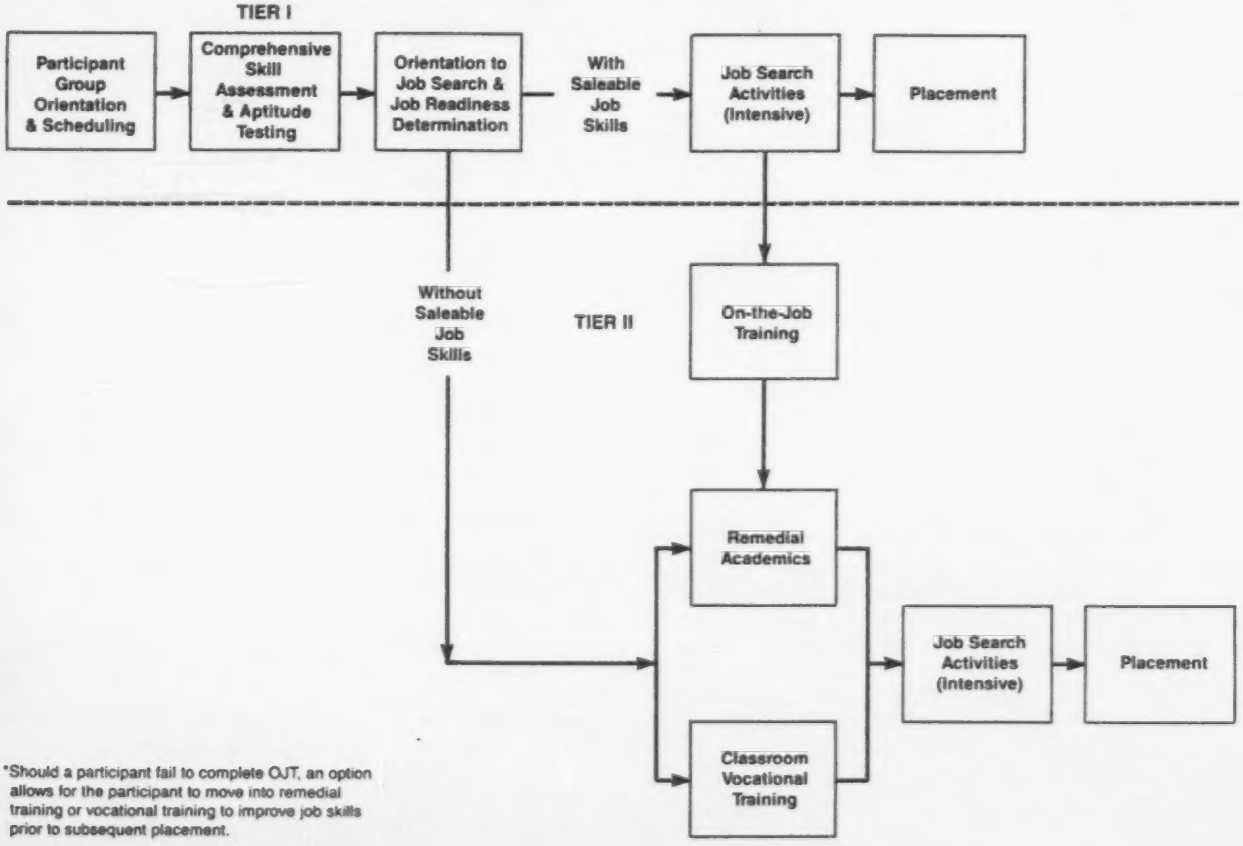
Singer, the Texoma PIC, and the employees expressed satisfaction with the program, but they also pointed to certain difficulties. The most important of these was a funding delay. Under procedures in effect in Texas at that time, an application for funds could not be considered until the plant had actually closed. Although the outplacement facility opened in late September and the job-training grant was approved on November 1, funds were not received until January, 1985. In addition, the program received no credit for any work completed prior to the contract-approval date, and could only make limited use of the funds to assist Oklahoma residents also served by the Center. This meant that Levi Strauss & Co. had to absorb the additional costs of making the program available to all its employees in a timely fashion. Once the plant has actually closed, experience demonstrates, former employees can be very hard to find, and it is difficult to get them to participate. (See fn.2,page 7.)

For some participants there were other problems. One adult education instructor recalled: "There was some jealousy and competition. I had 20 new students and the class members felt threatened by this group. With supervisors and production people together, the industrial pecking order shifted to the classroom."

Some had difficulty in attending class because of the need for child care and, to a lesser extent, reimbursement for transportation. Singer's survey found that 39 of 134 clients (29 percent) said they needed day care. In Texas the JTPA, Title II formula does allow up to 15 percent of the funding to be spent on "support services," but one-half of the project manager's salary and all clerical costs must also come out of that allocation.

Singer explored various approaches to resolving the day-care problem. One was to establish a day-care center in the outplacement office. But this could not be done because of licensing requirements. Eventually, Singer agreed to reimburse the clients for day-care expenses incurred when they participated in Tier I activities. The total cost was modest (approximately $1,000); even so, Singer could not offer reimbursement for the far more extensive Tier II activities. The

Exhibit 5: Levi Strauss & Co. Outplacement Center: Participant Flow Chart



*Should a participant fail to complete OJT, an option allows for the participant to move into remedial training or vocational training to improve job skills prior to subsequent placement.

project manager concluded that: "As a practical matter, there is no way that the funding formula can permit child care assistance for Tier II participants. In our situation, child care is more expensive than tuition. It costs a minimum of $100 per month for necessary care, while $100 provides tuition for three months."

Drawing from this experience, Singer submitted a new proposal to the Texas JTPA coordinator and to the Chairwoman of the Governor's Rapid Response team in August, 1985. If approved, this new project will serve an additional 85 Denison-area dislocated workers (many of whom are former nurses at a local hospital), and it will include a $10,000 support-service component earmarked for day care. (As of this writing, Singer was awaiting approval from Texas officials.)

Despite these difficulties, employees were enthusiastic about the outplacement program. They said it helped to build their confidence, gave them insight into their own interests and abilities, and provided practical advice on how to find a job. For some, it even resulted in the acquisition of new skills that enabled them to find jobs in more attractive work environments. One woman, who had been with Levi Strauss & Co. for 23 years, relates what may have been the most important feature for many: "A lot of the enjoyment came from being with the girls I had been with for many years. It was the last time we would see each other, so it was good that we were together a little while longer."

Community Services

Officials of Denison community service organizations noted that a major plant closing creates three different categories of problems: (1) increased case load; (2) loss of support; and (3) displacement or "ripple effect."

Of these three, the first was generally regarded as the least important. The Director of the Grayson County United Way said the only agencies funded by United Way that may have felt a significant impact were information referral and the day-care centers. The head of the county's Information and Referral Service, which provides telephone counseling and referrals to those agencies that can help with specific problems, described the variety of requests that arose: "There were a lot of additional requests. People want information about employment, health and day care, and housing. Most of the calls we got were about low-cost dental care and emergency medication.

"One of the worst problems in plant-closing situations may be the need for emergency public housing. No one knows anything about it, and there are no vacancies or turnover. We need some intermediate housing to help people get on their feet. A few churches have provided emergency shelter, but that has not been enough."

Companies are often unaware of a community's local resources for dealing with family and personal problems, and the agencies seldom market their services aggressively. This was not the case with Levi Strauss & Co., in Denison. The company had been active in the community and had provided the original funding for the County's Information and Referral Service. A member of the plant-closure team also visited with the heads of the service organizations and remained in touch. Because of the small number of employees who lost their jobs, the company's long history of involvement with the agencies, and careful pre-closure planning by Levi Strauss & Co., the direct burden on individual organizations was minimized.

A more serious problem for the agencies was the loss of an important source of community support. Levi Strauss & Co. employees had contributed generously to the United Way and other organizations. They also served on boards and advisory committees, and often volunteered their time. Although the increased caseload was manageable, the agencies experienced increased burdens and declining support. However, there is general agreement that this was kept within manageable proportions because the job loss was relatively small and the company remained active in the community during the closure.

Harder to gauge, and more important in the long run, is the third category of problems—displacement, what economists call the "ripple effect." In theory, for each job lost, others are also eliminated because of losses in consumer purchasing power, and reduced buying of goods and services by businesses. Heads of local service agencies saw this principle at work in their own operations. The Captain of the Salvation Army recalled: "Initially, people came in with material needs—food, clothing and, in a few cases, shelter. We had not seen these people before and, after a short time, we did not see them again. They found work. In many instances they were taking the lower paying jobs that are usually offered to the unskilled workers who are the core of our client base. So I guess you could say our caseload increased because of the Levi Strauss & Co. plant closing; but, for the most part, it was not the Levi people who were coming in."

The head of the local battered-women's shelter echoed this sentiment: "The biggest problem with battered women is placing them in dependable jobs. I now had more women and one less place to send them." The director of the local mental health clinic agreed, "Levi Strauss & Co. was an option for the people who did not work there. It was like a savings account. Even if you never touched it, you liked knowing it was there. This may have helped to preserve the equilibrium between husband and wife in a number of situations."

The Employees' Reactions

The closing of the plant was not a shock for most of the employees interviewed. The work sharing and periodic shutdowns of the previous two years had conditioned them to accept an end of the plant as a real possibility. The former personnel director summed up the views of most workers: "For us, it was not a real surprise. It may have been a bigger shock to corporate headquarters."

No one reported serious health, family or emotional problems as a result of the job loss. For those who had found new jobs at least one of three factors—wages, hours or dis-

tance to work—was likely to be less favorable than it has been at Levi Strauss & Co. Many of them missed people they had known for years and seldom or ever saw under the changed conditions.

For those who were married, there were no major complaints about the impact of job loss on their marital relations. A number of women said they had not looked for work because "my husband likes having me around the house." The director of the local mental-health agency observed: "Whatever you say about the wife losing a job, it has got to be different than when the husband gets laid off. In this part of the world, it is a family crisis for a woman to get a job, but it is also a crisis for her to lose that job. Getting work helps to balance power between a husband and wife. When she loses it, she feels less powerful and adequate, and more dependent on him. He responds, thinking he has regained control. This may escalate marital conflict that had been avoided because of the balance of power between them. The question is, now that the husband's status as the breadwinner is validated, will he become more or less responsible?"

GTE-Lenkurt—San Carlos, California Case Study

It is known to the public as "Silicon Valley" but the region that stretches from Santa Cruz in the South to San Francisco and the East Bay in the North extends well beyond the original confines of Santa Clara county where the Silicon Valley image, and the electronics and high-technology companies that gave rise to it, began.

Although restaurants still bustle with business breakfast activity at six a.m. and the freeways are choked with traffic at dawn as people commute long distances to work, the valley's job market is experiencing large-scale closures and layoffs. The GTE-Lenkurt site was originally chosen for this study to suggest that no industry is immune to closures. Ironically, it now commands attention as part of a pattern of job loss that was one of the most serious encountered during the period under study.

Experts cite a variety of reasons for this "shakeout." Although perceived by the public as monolithic, Silicon Valley is a diverse collection of highly segmented businesses—enterprises vulnerable to changes in production technologies and the cost-driven search for cheaper labor.

By April, 1985 the dimensions of the industry's problems were recognized as serious: nearly 30 percent of Santa Clara county's 203,500 unemployed were former electronics workers.[1] According to the same source, Synertek, Shugart, Synergetics, Dysan, Xebec and Apple were among the companies that shut down or had substantial work-force reductions between October, 1984, and June, 1985. And more layoffs were likely: Approximately 10,000 of the area's electronics employees were working part time. The coordinator of a local displaced-worker program predicted that many in this group might eventually lose their jobs.

The GTE-Lenkurt Facility

Founded as the Du Frane Company in 1935, it was renamed Lenkurt (for the first names of the two partners who bought out Frank Du Frane) in 1944. In 1948, the company established headquarters in San Carlos, a small town in San Mateo county, which is approximately halfway between San Jose and San Francisco.

The 1950's was a decade of company expansion as plants were built in Canada and Mexico to handle the increased foreign demand for miniaturized components and subassemblies. In 1959, GTE purchased the Automatic Electric Company, which had acquired one-third of the Lenkurt stock in 1947, and the remaining two-thirds of the firm's stock owned by the founders. Both of the original owners remained active with the company, and the Lenkurt identity survived in the minds of the employees who, when interviewed, continued to refer to the operation as "Lenkurt."

In 1968, the factory employed over 4,000 people, but the transfer of manufacturing operations to lower-cost labor markets (which has hurt other Silicon Valley companies) was already affecting GTE-Lenkurt. The company opened a new manufacturing facility in Albuquerque, New Mexico, in 1971. Other new plant sites followed with El Paso, Texas, in 1978 and Juarez, Mexico, in 1981. Increasingly, these facilities, with their more advanced technology and lower labor costs, were more cost-effective than the older plants.

The Decision to Close

Industry trends and periodic restructuring of the parent organization made it unusually difficult for GTE planners to decide the fate of its wholly owned subsidiary. But a post-mortem analysis of the decision illustrates an important characteristic of most shutdowns: Closure is often the last step in a series of ad hoc responses to a problem. At the time it is taken, each measure is believed to be sufficient. It is only in retrospect that participants realize that a shutdown was inevitable.

For GTE, the building of new plants in less expensive labor markets may have set in motion a process that made closure inevitable in June, 1983. Recognizing that overall production costs were lower at these other locations, the company attempted to improve the productivity of the San Carlos plant and laid off some hourly employees in 1981. On June 15, 1982, the company announced consolidation of the San Carlos manufacturing operations with other facilities in Albuquerque, New Mexico, and El Paso, Texas. Approximately 1,500 jobs were lost and an outplacement service was established. The 1,200 survivors faced an uncertain future. In March, 1983, fiber-optics operations were consolidated at other locations and an additional 200 people were laid off. Approximately 1,000 engineers, designers and marketing specialists remained.

In conjunction with the shutdown of manufacturing, GTE

[1] *Daily Labor Report,* June 24, 1985.

said that an unspecified number of this group would be relocated to a Research and Development facility in Milpitas, a 45-minute drive from San Carlos. The period from June, 1982, to June, 1983, was one of great anxiety for them. They had to decide whether or not they would be willing to travel the extra distance if they were chosen, and some elected not to do so. Once selected, many remembered feeling guilty about their apparent good fortune. Plans for the move went forward: The company newspaper put out a special edition with a floor plan of the new facility and a van-pool schedule for commuters. People selected offices, chose carpeting and furniture. The Director of Human Resources recalls: "I took my crew down there. We had lunch on the lawn and I showed them their offices. I got back that afternoon and found out that we would not be moving to Milpitas."

It was approximately one month before she could share that news with her co-workers. On June 9, 1983, the company announced the transfer of the San Carlos research and development effort to its Phoenix, Arizona, operation and the relocation of marketing activities to Northlake, Illinois. The plant closed on March 16, 1984, but during the 10-month period that elapsed between the original announcement and that date, all employees were terminated as individual operations were shut down. Each person received at least 30-days' notice.

The GTE-Lenkurt Work Force

GTE-Lenkurt had relied heavily on the San Carlos employees to staff the new plants that it built at other locations between 1971 and 1981. Following the two shutdown decisions of 1982 and 1983, the company made a vigorous effort to recruit people, particularly executives, for the various locations to which operations were transferred. Over 600 employees eventually accepted relocation offers, and work-force data suggest why this number was not higher: More than half of the 1,000 employees were over 45, and half were women. (See Table 6 for other characteristics.) People in these groups are less likely to move.

The workers were resistant to any kind of change. Most of them lived within 10 miles of the plant. When the company announced its move to Milpitas, 20 miles south, the human-resource director estimated that 25 percent of those who were offered a job at the new facility refused it, and the hourly workers were the most adamant. When the company eventually decided not to go to Milpitas, employees were even more reluctant to go to Albuquerque, New Mexico, Phoenix, Arizona, and Northlake, Illinois. As one employee recalled: "It was not even a question of our children. Almost everyone had grandchildren, and it is very difficult to cross the country and leave a whole family behind." The liberal severance and pension formula made the need for continued employment less urgent for many. Nearly half the work force was eligible to receive a pension or would achieve eligibility within two years. Salaried workers got one-week's severance pay for each year with the company, and one-and-a-half weeks for years in excess of 19. For hourly employees, the formula was one week's pay per year of service.

The structure and size of the organization to which they would be transferred was an important factor for executives: Many of the high-level positions were filled. Most of them were offered positions as directors, rather than as vice-presidents. Although the pay was comparable, the offers were often refused.

Six hundred employees did accept positions within other GTE operations: Four hundred took jobs with Sprint, which was located nine miles from the San Carlos plant. One hundred and ten were sales personnel and installers for whom no relocation was required. Only 90 accepted transfers that necessitated a move.

The Outplacement Center

The company established an outplacement workshop in connection with the closure of its manufacturing facility in June, 1982. Fifteen consultants were considered for the outplacement contract; the company chose Lawrence and Allen of Naperville, Illinois. Lawrence and Allen had handled outplacement for six other GTE companies and were highly recommended by them. Although this vote of confidence helped, the key considerations in the eventual selection were said to be:

(1) Lawrence and Allen charged by the *day,* rather than by the *placement.* Since the company expected most employees to find a job, the daily charge for a workshop that could include 30 participants was considered cost-effective.

(2) For the most part, the other firms were reportedly not interested in running a program for hourly employees.

(3) Lawrence and Allen was willing to run its workshop at a site chosen by the company. Other consultants wanted the clients to come to their centers. As one company official put it: "That was like going to Milpitas again. It was not going to do us any good to say 'run down to Campbell or San Francisco.'"

The decision to use the plant for outplacement activities, which ultimately was judged to be an important contribution to the Center's success, was debated, but the greater convenience and more familiar surroundings were expected to result in a higher participation rate.

The Director of Human Resources and her staff operated the Center from September, 1982, until it closed in February, 1984. During that period approximately 2,000 people attended job-search workshops; only 35 turned down the opportunity. The company prepared 1,571 individual resumes, and sent 16,000 letters to prospective employers. To the company's surprise, the need for resumes was almost universal —even maintenance workers were asked for them. Twenty-three Bay Area companies came to job fairs at the Center and 90 percent of the managers, professionals and electronics technicians were placed within 30 days of leaving the com-

pany.[2] This favorable result was attributed to the fact that advance notice enabled them to begin their search four months prior to termination. Company officials also felt that early success helped to build a valuable network of contacts with local companies.

Commenting on the results, the former Director of Human Resources said: "There were all kinds of surprises. Some of the people we worried about did fine, while some we thought would have no problem gave us cause for concern. The higher up they were, the more scared they got because they were used to high salaries. The lower level employees took it more in stride, which surprised me." She suggested that money was not the only reason for panic: "An executive has to deal with the politics of an organization. Going to a new company can be frightening. You don't know the people who are working for you. Can you depend on them—and for what? The managers above you are also a mystery. Can you find mentors who will support you, teach you the ropes, and give you a chance to succeed?"

For certain employees, the closing proved to be an opportunity for substantial improvement in their work lives. A few executives formed their own companies. A group of engineers used an uncompleted company contract to launch a new business, and others went into consulting work. There were also clerical employees, who benefited by upgrading their skills and setting up temporary secretarial services.

All individuals were encouraged by Lawrence and Allen to bring family members to the counseling sessions. Wives, husbands, and in some instances, sons and daughters, attended the programs. Because it reduces fear of the unknown, Lawrence and Allen feel that family participation is a key element in lessening stress. These interviews generally revealed one or more of eight major concerns or problems:

(1) Apprehension that they were "too old";
(2) Limited opportunity because they had worked for a telephone company for their entire careers;
(3) Reluctance to accept work that required a longer commuting distance;
(4) Unwillingness to relocate;
(5) Concern about having to accept lower salary;
(6) Fear of an interview;
(7) Belief that loss of employment, and no offer of a transfer, would stigmatize them in their job search; and
(8) General depression and discouragement.

Lawrence Stuenkel, of Lawrence and Allen, viewed the involvement of family members as a very important component of success because: "Self-respect and ego are involved. It is helpful if the person can get encouragement when spouses are present, so you can involve the family as another support system."

[2]Bay Area employers community-support activities are reviewed in Kathryn Troy, *Studying and Addressing Community Needs: A Corporate Case Book*. The Conference Board, Report No. 866, 1985. pp.31-6.

To ease the emotional aspect of job loss, the company ran stress and financial-counseling workshops. Although these sessions got high marks from those who went to them, the attendance figure of 300 was disappointing to the company. Some attributed this to Saturday scheduling, and said that more people might have gone had they been held during working hours.

Both the company and Lawrence and Allen considered the outplacement effort to be a success. Eighty-eight percent of the participants found jobs and ten percent elected normal or early retirement. Only two percent were still looking for work when the program ended. The lowest rate of pay for the group was $9.72 per hour, and many production workers found jobs at considerably higher rates.

Although the outplacement center functioned smoothly, and had a good record, the company did have some difficulties as a result of trying to wind up business and, at the same time, find new jobs for people. While operating the center, GTE also had to train managers and workers for responsibilities that were transferred to other locations. There were isolated episodes of refusal "to pass the baton," and unwillingness to divulge important information to successors. It was sometimes necessary "to run around the person to get the job done."

JTPA, Title III Assistance

Unlike the other cases examined by the Board, the Outplacement Center was established and funded without JTPA, Title III assistance. But the GTE-Lenkurt closure did trigger the use of JTPA funds under California's Emergency Jobs Law. As a result of the closing, San Mateo County received a JTPA grant from October 31, 1983, through December 31, 1984. The funds were utilized for displaced workers from GTE-Lenkurt, Qantas Airlines, and Simpson Duravent. The programs funded included:

* Initial intake, assessment and counseling
* Self-directed job-search workshops and job clubs
* On-the-job training contracts
* Job development
* Retraining

Relatively few GTE employees (81) took advantage of the JTPA opportunity. But three-quarters of those who did found jobs through this program.

The Employees' Reactions

The drawn-out nature of the multiple closings elicited a good deal of gallows humor. One department built a graveyard, with tombstones bearing the name of each employee. T-shirts were also a means of self-expression; even the plant-closing team had its own shirt.

Another form of release was overeating, which resulted in the only pervasive health complaint—weight gain. As the work force got smaller, the cafeteria supplier complained that twice the usual number of doughnuts, pies and cakes were

needed to slake the survivors' radically changed eating habits. Cigarette sales also went up.

The head of the plant-closing team estimated that approximately 10 percent of the employees had problems that were serious enough to come to her attention. However, roughly half of these people had had those difficulties prior to the closure announcement.

She also recalled twenty-two divorces, but in five instances this was due to a special type of job-loss stress: "Some of the marriages broke up because people were having affairs at the workplace. When they found that they were going to different companies and they would not see each other every day, they decided to marry."

The layoffs took a heavy toll on many managers. Some were so depressed by the process that they eventually had to be assigned to less stressful positions. The selection of workers for the Milpitas office that never opened made heavy demands. Five managers knew in advance of the decisions to consolidate manufacturing operations and to abandon the Milpitas venture but they could not tell the other employees. For one human resource manager, living with secrets was the worst part: "I knew three months before the others that there was going to be a move, and I knew a month in advance that we were not going to Milpitas. The stress was enormous. I was so relieved when the company made the announcement, so I could share my feelings with other people."

A few avoided reality and pretended it was a bad dream. One man went to the head of the closing team and said: "I know I'm not getting laid off, but every once in a while I'll wake up in the middle of the night and my stomach is turning. I have this horrible feeling that I am going to lose my job."

The employees who were interviewed did not have problems that were this severe, and did not recall that their co-workers had difficulties that were this troubling. The most frequently cited effects were weight gain and periodic bouts of depression and anxiety. One woman was concerned that her husband's health might suffer because he had to delay his retirement. Considering the median age of this work force (45) and the proportion of women (50 percent), this dilemma may have been fairly common.

A good record in job placements and the avoidance, for the most part, of serious health and emotional problems among employees still left some workers with a residue of hard feelings. There was anger over the aborted Milpitas relocation and the toll it took on both managers and the people who worked for them. They also regretted the loss of what was for many the most important social-support system in their lives. For some, the adjustment to the new job was proving more difficult, in subtle ways, than they had expected. The views of a former vice-president were illustrative of the feelings of the group:

"This thing did not strike like lightning, and I was looking around before it happened. You should always have a few lines out. The workshop helped me to hone my skills and nail down this new position. I am now general manager of a small company. With a bonus and stock options, I make more money, but I also have to drive an hour and a quarter to work. When I was with GTE-Lenkurt, it took 12 minutes to get to my office. At first blush, I was pleased, but those feelings have passed. I have talked to others who feel the same way. When you take a new job, there are a lot of things you do not realize at first. For example, it is very important to know how companies make decisions. If you are used to operating independently, it can be a difficult adjustment if you find yourself in a consensus management. You find that a second marriage is not all it is cracked up to be."

ARMCO Steelworks—Houston, Texas

It was the first and largest steel mill in Texas, occupying a choice 750 acres along Houston's ship channel. Now it is abandoned and, in less than two years, its massive structures have begun to rust and decay. The port is still busy—but now inbound, foreign steel sits on the docks. This is what remains of the Armco steel mill that closed on January 27, 1984.

As early as 1929, Armco had thought about Houston as a desirable location for a steel mill, and in 1940 construction of the plant began. Wartime needs helped to get operations off to a quick and profitable start. The complex continued to grow and change until 1970, when a second electric-furnace shop and a direct-reduction furnace were added. For more than half its years as a company (it was founded in 1900), Armco had a major involvement in Houston and in Texas. There were more Armco employees in Texas than in any state other than Ohio, and many of its other businesses—insurance, drilling equipment, and industrial credit—were also active there.

Although Houston is not a steel center, and Armco is not a Texas company, the relationship grew to be one of substantial mutual benefit and dependence. By the early 1980's, 85 percent of the plant's production was for the energy market. A substantial portion of the rest was dependent on Houston's thriving construction industry. The only market for plant product that did not rely on the Houston economy was ship building.

By 1982, Houston's energy and construction boom had begun to fade. Unemployment surged from 4.1 percent in 1981 to 10.1 percent in 1983. Between June, 1982, and the following June, the city lost 14 percent of its manufacturing jobs and there were no gains in the once-expanding insurance, real estate, and financial services industries. The energy and construction industries, on which the Armco Works were heavily dependent, were among the big losers. The year 1982 was also a bleak one for Armco: The company lost $350 million and laid off 12,000 employees. Over one-sixth of these jobs were lost at the Houston facility.

Steel is the ultimate "ripple effect" industry: When automobile production, ship building, commercial construction, and oil exploration decline, jobs are lost in steel. This is particularly so when there is, simultaneously, intense competition from imports. All the major steel companies were losing orders to foreign suppliers, but at Armco's Houston Works they could watch lower-cost steel being unloaded on the docks right in front of their plant. Increasingly cost conscious, their regular energy-industry customers chose the cheaper product. One executive commented that "the deep-water port became our Achilles heel."[1]

In an effort to streamline production, the company and the United Steel Workers agreed, in July, 1983, to implement Appendix M of their Basic Labor Agreement. This provision established teams of managers and factory workers to improve productivity and customer relations. (See Exhibit 6.) Productivity steadily increased and corporate headquarters showed interest in utilizing the model at other locations, but the plant still could not regain its profitability. On October 24, 1983, the company announced that the plant would close in January, 1984.

The Armco Work Force

Since the late 1970's, the work force at the Houston Works had declined from a peak of over 4,500 to 3,000 of which 1,100 were active on the date the closing was announced. One half of those laid off during this period were subject to recall and, therefore, were part of the population which the company felt obligated to include in any job-loss program. The ratio of men to women was nine to one, and roughly 80 percent were hourly union workers. (See Table 6 for other characteristics.)

Minorities constituted nearly 40 percent of the work force and, of this group, eighty-five percent were black and the rest Hispanic. Ninety percent had completed high school and nearly one-third had attended college. The tabulation below shows the job categories of affected employees:

Equipment Operators	31 percent
Laborers	18 percent
Clericals	13 percent
Craft Workers	35 percent
Professionals	3percent

Long years of service with the company meant that few had any recent experience with, or knowledge of, the job market. Many had lost the only job they ever had—in a mill where a father, or even a grandfather had also worked.

[1]Ken Hammond, "The Death of a Steel Mill," Houston *Chronical*, Texas Magazine, Sunday, February 5, 1984, pp. 6-12.

Exhibit 6: Armco-United Steelworkers of America—Memorandum on Labor-Management Participation Teams.

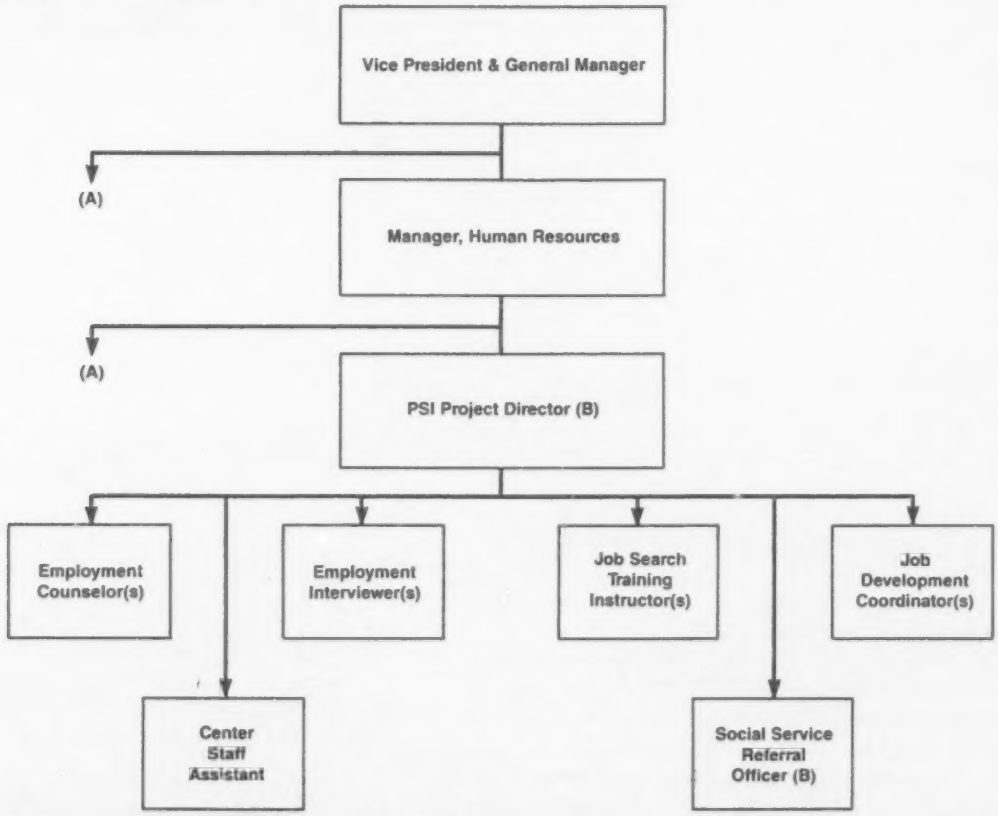
APPENDIX M
MEMORANDUM OF UNDERSTANDING
ON LABOR-MANAGEMENT
PARTICIPATION TEAMS

"A Participation Committee will be established at the plant level to coordinate the activities of the Participation Teams at department or unit level. A Participation Team will be made up of a management co-chairman, an employees' co-chairman, and employee and supervision members of the department or unit. Employee members and supervision members need not be equal in number, and may be rotated periodically to permit broader employee involvement. The employees of the department or unit will select their Participation Team co-chairman and members.

"Participation Team meetings shall be called by the co-chairmen during normal working hours as often as the employee and supervision members agree. A Participation Team shall be free to discuss, consider and decide upon proposed means to improve department or unit performance, employee morale and dignity, and conditions of the work site. Appropriate subjects, among others, which a Team might consider include: use of production facilities; quality of products and quality of the work environment; safety and environmental health; scheduling and reporting arrangements; absenteeism and overtime; incentive coverage and yield; job alignments; contracting out; and energy conservation and transportation pools. The Participation Committee and the Participation Teams shall have no jurisdiction over the initiation of, or the processing of complaints or grievances. The Participation Committee and the Participation Teams shall have no authority to add to, detract from, or change the terms of the Basic Labor Agreement.

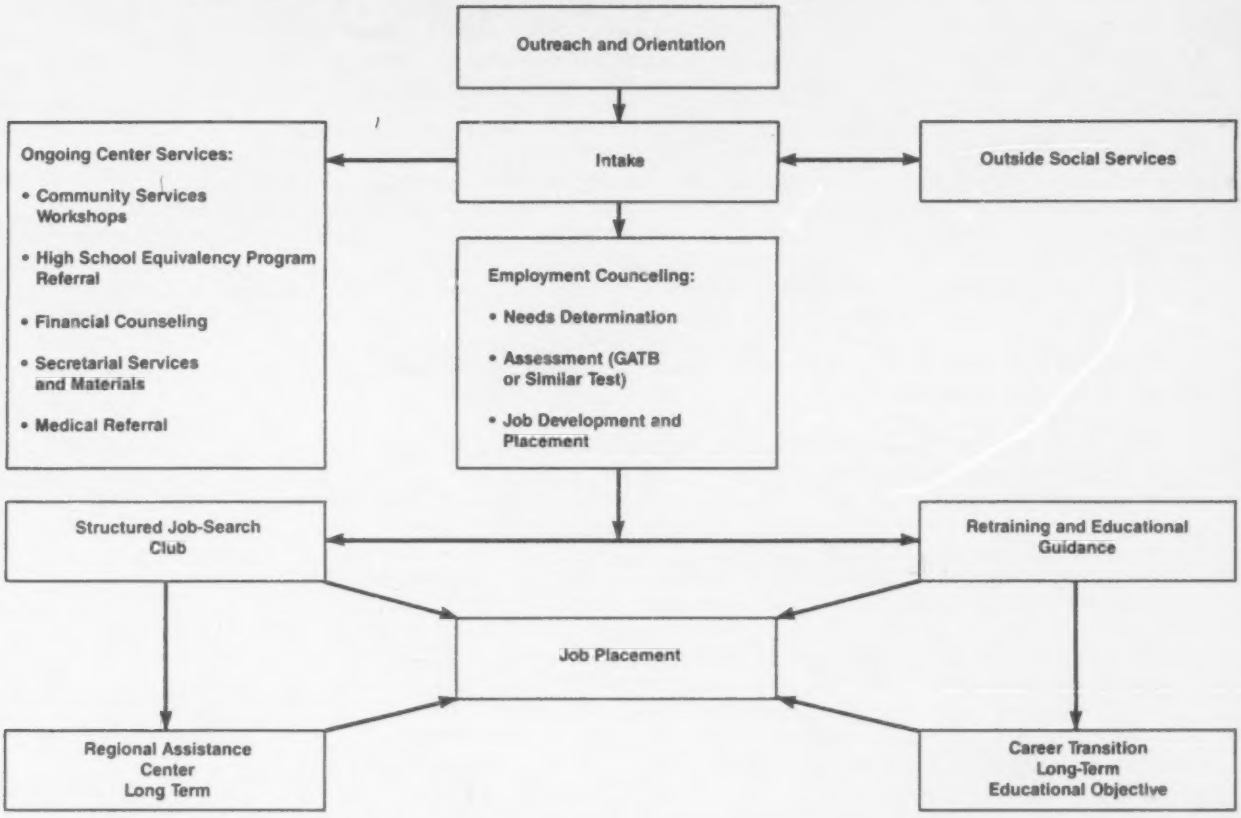
"A Participation Team shall be free to consider a full range of responses to implemented performance improvement, including, but not limited to, such items as bonus payments or changes in incentive performance pay. A Participation Team may also consider one-time startup bonuses for employees on new facilities who reach target levels in specified periods."

Exhibit 7: Armco—United Steelworkers of America Worker – Assistance Center Organizations Chart



(A) Other Division Positions Not Relating to Project (B) Project Position

Exhibit 8: Armco—United Steelworkers of America Worker – Assistance Center: Sequence of Center Program Delivery



As was the case with other companies, Armco improved its pension plan to make retirement an attractive option. This reduced the number of employees needing outplacement assistance. Altogether, 1,900 employees were eligible for pension benefits, under one of eleven different formulas, and 732 elected one of these options.

The Armco-United Steelworkers Worker-Assistance Center

To secure JTPA Title III funding for their outplacement efforts, the company and union sought the support of the Private Sector Initiative (PSI). Through PSI, they received technical assistance (in writing the grant proposal and in program design) from organizations representing business (The National Alliance of Business—NAB), labor (the Human Resources Development Institute—HRDI) and the Potomac Institute for Economic Research, (PIER), a nonprofit organization under contract to the Department of Commerce.

This collaborative effort resulted in a program that was quite similar in organization to those featured in the other case studies in this report (Exhibit 7.) The Center's three main objectives were:

- To obtain stable reemployment for individuals who were laid off by ARMCO due to a severe downturn in business.
- To demonstrate new approaches for company-union cooperation in meeting the reemployment needs of workers affected by mass layoffs and plant closings.
- To provide a comprehensive program of support services or referrals to workers and their families.

Under the terms of the $300,000 JTPA, Title III grant, the company and the union operated the Center at the plant in the pipe mill office. Armco provided additional in-kind assistance in telephones, utilities, staff and computer time. Union in-kind staff support was used primarily for social service referral and was valued at $120,000. As the company anticipated 420 job placements, the $300,000 grant would cover a cost of $714 per placement. (Ultimately, 366 jobs were found at a cost of $820 apiece.)

Services provided by the Center included a vigorous effort by the union to inform its active and former members of the Center's resources. An orientation session was held to explain available services, obtain a profile of worker needs, make emergency referrals to area health and social-service agencies, and to motivate discouraged job seekers.

After the client profile was developed, career counselors helped participants gain an awareness of their skills and interests, and taught them to focus on realistic prospects. Where

Exhibit 9: Armco Steelworks: Salaried Relocation Policy

Southwestern Steel Division salaried employees transferring to other Armco locations have been extended the attached Relocation Policy. Each employee has been given the policy and received counseling from our division. In general, the following guidelines and procedures have been approved and communicated to the employees:

1)The Relocation Policy (SPI) dated January 1, 1982 will be applied to all salaried employees transferring as a result of the announced shutdown.

2) All approved relocation expenses will be charged to Southwest Steel Division Shutdown Expense.

3) Employees must make a valid attempt to sell their own homes for at least 90 days before requesting Armco to purchase their home. The 90-day period the employee has to accept an Armco offer will not begin until he actually receives a bona fide offer for the home.

4) Duplicate mortgage loans will be made in accordance with the "Home Provision" policy attached with the SPI.

5) The SWSD will cover the airline expense for employees who need to return home while the family is still at the old location. The maximum number of trips allowed will be two per month for the first 90 days. Any other visitation trips will be approved on an individual, case-by-case basis. This expense should NOT BE charged to relocation but should be handled as a normal business expense and charged to the shutdown.

6) Houston Human Resources will be responsible for:
- Communicating the policy to transferred employees
- Initiating the home appraisal process
- Answering policy application questions or approving special requests
- Coordinating request for home purchases by Armco.

7) Corporate Real Estate will be responsible for:
- Coordinating the home appraisal process including communicating appraisal value to the employee
- Approving and processing equity loans including distributing the check
- Coordinating the Armco purchase of employee's residence once it is approved by the SWSD.

8) Corporate Transportation Department will be responsible for coordinating the transfer of employees' personal goods.

9) Human Resources staff at the receiving relocation will be responsible for:
- Assisting transferred employees as needed including the processing of relocation claims and advances.
- Coordinating the closing and final processing of all relocation claims. All relocation files and notes coordinated by SWSD will be forwarded to receiving units as soon as final transfers are completed.

basic retraining, educational skills, or social services were considered essential, individuals were referred to the local organization that could provide them with these services. (See Exhibit 8.) In addition, the Center conducted one-day workshops to acquaint employees with available community services and resources that provided counseling for personal problems and financial issues. The Center also budgeted $8,000 for child care and $4,000 for transportation expenses for those who could not attend without being reimbursed for these items. Center staff did not recall that any participant found these to be critical problems.

Fifty-two found jobs elsewhere within the company. Of these, 14 required some sort of special assistance under the company's relocation policy (Exhibit 9). As part of this program, the company was willing to purchase an employee's home if it could not be sold within 90 days. A company source estimated the relocation program cost approximately $2.5 million dollars—but this figure also included the expense of employee visits to families who were still living at the old location.

After retirements and internal placements, approximately 2,000 employees were eligible to participate in the worker-assistance program, and 852 (40 percent more than the anticipated figure of 600) had at least some contact with the Center.

Problems Encountered

It was difficult to get people to use the Center. Although the number who did make some use of the Center was larger than originally anticipated, it was only 43 percent of all those eligible. The Center's staff thought this low level of use was due to two factors:

(1) Liberal and complex severance health and retirement provisions. It was possible for a laid-off employee to receive up to two-years' severance pay. Health benefits, including coverage for dependents, were extended for a year, or until the employee found another job—whichever came first. Those who retired before January 1, 1984, could choose one of two health plans, and retirement was possible under eleven different formulas. The human-resource manager who explained the options to each employee found this task difficult and time consuming. For those who got a generous settlement, there was little urgency to look for a job. The Center was open for eight months after the closing, and many em-

ployees were still collecting full unemployment benefits when it closed.

(2) *Employees had other jobs when the closing was announced.* Armco had had periodic shutdowns since 1982. In the year prior to the closure, the work force had been on the job less than half the time. Many had found other work to supplement their incomes and were able to expand their "moonlighting" activities into full-time employment. Others felt that part-time work, combined with severance, was preferable to a full-time job at what was quite likely to be a lower rate of pay.

Exempt first line supervisors were hard to place. Finding a job in the Houston economy during this period was difficult for anyone, but it was even harder for this group. Vacancies were almost nonexistent. Many of them accepted the scarcity of supervisory positions reluctantly; others were more realistic. In the end, Center staff members recalled, "most of them went back to production work."

Complaints about JTPA, Title III funding delays and paperwork. According to the Manager of the Human Resources Division: "The company got its final check from JTPA in January, 1985. This reimbursed us for our costs, but we had to use our own cash to keep the Center going." Staff members also complained that federal reporting requirements consumed valuable time. They expressed hope that these procedures could be simplified.

There were conflicts between running the business and the outplacement center. As with any plant closure, the company was attempting to achieve three sometimes inconsistent objectives within a short period of time: (1) wind up existing business in an orderly way; (2) explain various retirement, health-insurance, and severance options to a large number of people; and (3) lend all possible assistance to those who wanted to find another job. This strained company managers to the limit. As one former executive put it: "When this happens, human-resource people become the line organization. Instead of being in the steel-manufacturing business, the company is now in the business of explaining benefits and finding people jobs."

Other factors complicated production efforts. In order to qualify for more liberal severance formulas, 50 employees applied for transfers to other units. Each of these requests had to be resolved by a special management committee.

There was a lack of information about available jobs. Center staff felt that the Texas Employment Commission had made a valuable contribution. But they also thought that even deeper involvement of the TEC would have been helpful because detailed information on the local job market is often hard to find. As an Armco spokesman put it: "Nine out of ten jobs over the next decade will be replacement of workers who left the field, rather than new jobs demanding new technologies."

On balance, the company thought its job-search center was successful. Although its 366 placements fell short of the original goal of 420, the company did succeed in getting more people to participate actively than had originally been expected. This was attributed to a media campaign that attracted attention from both former workers and potential employers. But the Center's record also suggests the substantial difficulties a company has in mounting an outplacement effort. Some 123 employees registered with the Center but did not return for services. Staff members commented that some of these expected to be called for available work and did not think any further effort on their part was required. Others registered because they wanted to know what was available in case they needed it. Still, it is at least possible that many simply found the whole exercise to be too demanding, considering the limited prospects for success in a difficult job market.

The effectiveness of the job-search training class (which was conducted by an outplacement firm) was a sharply debated issue among the former staff members of the Job Search Center. Some of them felt the company could have done a better job than an outside consultant.

The record of those who did not attend the classes lends support to this view. Of the 283 who passed up the opportunity, 219 (77 percent) found jobs, while the percentage of such successes for full- or part-time attendees was much lower. It is also possible, however, that those who went to the class were harder to place and were attracted to the workshop because they sensed this fact. Those who did not go to class got higher pay—88 percent found jobs that paid more than $8 per hour, the figure for workshop participants was 64 percent.

Social Services

Spokesmen for both the AFL-CIO and the United Way of the Texas Gulf feel that Houston lacks essential social-services resources for dealing with large-scale unemployment. The planning manager for the United Way says: "We could use a crisis team that goes into a plant when it is about to close and tells people what services are available. In addition, Houston needs more resources for the unemployed, particularly in bread-and-butter areas like utility, rentals and mortgage payments." A union official agrees: "For the most part, United Way agencies did not offer the kind of services our members needed. The Boy Scouts and the Girl Scouts are not going to get the lights turned on, once they have been turned off."

Since community resources for handling the problems of the unemployed were limited, Armco employees' utilization of United Way agencies actually *declined* as job loss increased. In 1983, United Way organizations gave services to 266 Armco employees; the figure for 1984 was 104. Sixty-five Armco workers benefited from the YMCA in 1983, but there was no YMCA use by Armco employees in 1984.

These figures also reveal a loss to the community of volunteer time contributed by the Armco work force. In 1983, 92 Armco employees registered with the Volunteer Center, which recruits, trains and places volunteers within the community.

In 1984, only 30 Armco workers participated in this program. The United Way also estimated that $120,000 in annual contributions were lost when the plant was closed.

Limited community services for the unemployed and the absence of a "crisis team" created a vacuum that was filled by the Community Services of the AFL-CIO. The most important of the union's efforts was its emergency food program. The AFL-CIO's Community Service Office told the union local about the emergency relief available from the Houston Metropolitan Ministries and the Federal Government. Union volunteers picked the food up at the warehouse and made it available to the members.

The AFL-CIO Community Services Organization also ran a workshop on food stamps, aid for dependent children, unemployment insurance, mortgage forbearance, conventional loans, payment plans, evictions, and utilities. Community resources for medical problems, alcohol and drug abuse, and marital counseling, were also discussed. Due to effective promotion by the union, 300 attended this workshop. As a result, the Community Service Organization was able to assist, or make appropriate referrals for, many who needed help. A year and half after the closing, the office continues to receive calls from people who have been told about their services by the union or by someone who attended the workshop.

Company officials praised these efforts and felt that the union was on its own in handling its members' problems because many local service agencies had shown little initiative. One former executive said: "The Harris County Mental Health Agency should have come out and told everyone what services were available, but they never did. We should have had emergency food, and we did, but the union had to carry the ball."

The Employees' Reactions

Looking back on this period, one ARMCO executive said: "Some of these people had the coating come off their wires." Although the Labor-Management Participation plan had achieved substantial good will between the company and the union, and productivity continued to improve until the day the plant closed, the ARMCO work force appears to have been more afflicted by the social ills popularly associated with plant closures than the other sites the Board studied.

Those company and union officers who were interviewed felt their own situations were largely unaffected by the closing, but all knew of people who were less fortunate. The union president recalled three suicides, and one man who burned his house down with his children in it.

One manager saw a rise in alcohol and drug abuse and there was little that the company could do to stop it. "Normally we would say, get into a program or you will lose your job, but what can you say when you are closing down anyway?"

Another executive said pilferage of tools and materials increased. In that situation, the company warned employees that they could be discharged for cause. This gave managers leverage because the termination would affect severance and retirement benefits. The AFL-CIO Community Service Organization noted an increase in marital problems, but the higher volume of calls could have been due in part to a greater awareness of its services.

The employees remember the closing as a long, painful process. As the union president put it: "It was like having someone on his death bed. You may know in your gut that he is going to die, but it is still a shock when it happens."

Ford—San Jose, California

The automobile was not invented in California, but that state's citizens are among its most avid users. By mid-century, this partnership between people and cars had helped to make California the most populous state, and the industry one of the nation's largest manufacturing enterprises.

Manufacturing automobiles within its biggest domestic market made a good deal of sense in the early 1950's. In 1955, the Ford Motor Company built a plant in Milpitas, California, several miles northeast of San Jose. The factory assembled light trucks and passenger cars. Business was good, and the plant eventually employed 5,000 people.

By November, 1982, the situation had changed dramatically. Between 1978 and 1981, the company's U. S. market share had shrunk from nearly one-quarter to one-sixth, according to an earlier study. California sales of the "Escort," the passenger car that was built in Milpitas, were hard hit by Japanese competition and, on November 18, 1982, the company announced that the plant would close on May 20, 1983.[1]

This decision was an unusually difficult one because the company had recently incurred substantial costs in retooling for its "Escort" and "Lynx" production lines. In September, 1981, the plant manager expressed the prevailing optimism of management on a news broadcast: "I think ... the plant will be here in California, forever."[2]

The disappointment was shared by the United Auto Workers. Beginning in 1980, the union had worked with the company on an Employee Involvement (EI) program that had improved productivity dramatically. Joint company and union committees had cooperated on production problems with considerable success. At 9 am every Thursday, the factory shut down for a half an hour while workers, supervisors and executives discussed issues of mutual concern. All parties were proud of what they had accomplished through this relationship.

Although EI failed to keep the factory open, it had three beneficial consequences: (1) Productivity and quality continued to improve. For the last two weeks of the plant's existence, Ford auditors found it to be the best in the company with regard to both productivity and quality. (2) EI gave the company a valuable infrastructure for getting employees involved in assessment, basic education, retraining and placement activities. (3) EI was a useful sales point in finding jobs for displaced Ford workers.

EI had been part of one of the most successful worker-participation programs in U.S. labor history. It had a solid track record of employee self-reliance, quality performance, and high productivity. These "advantages" often seemed to offer small consolation, but company managers, union officers, and employees all agreed that much of the success of the Ford-UAW retraining effort rested on the foundation provided by the EI experience.

The 2,386 automobile workers faced an uncertain future. Company sources felt that skills obtained in the auto industry are in most cases nontransferrable to other industries. They estimated that at least 1,850 would need retraining or some other type of assistance in order to reenter the labor market. High unemployment rates in Santa Clara (8.9 percent) and Alameda (10.2 percent) counties, where the majority of workers lived, compounded the difficulty.

To secure outside funding for its ambitious program, the company and union, with the cooperation of various state agencies, undertook a vigorous effort to identify "demand occupations." They asserted that, with proper training, workers could be placed as electronic and computer technicians, computer-aided draftsmen, machinists, microwave technicians, computer operators, word processors, plant-maintenance mechanics, and welders. In time, and with adequate resources, the company and the union expected that other occupations could also be found for their displaced work force.

The Ford-San Jose Work Force

Of the employees who lost their jobs, nearly all (94 percent) were men and 88 percent were hourly and union workers. Over half the hourly employees had been with the comcompany for more than 16 years; for salaried workers, the median was 22 years. (See Table 6 for other characteristics.) Almost 40 percent were over 45 years old, and company and union sources estimated that roughly 500 would elect retirement benefits immediately. (This would not preclude their

[1] Gary B. Hansen, "Ford and the UAW have a Better Idea: A Joint Labor-Management Approach to Plant Closings and Retraining," *Annals of the American Academy of Political and Social Science,* 1984.

[2] Videotape about the San Jose Plant, July 1981 to May 1983, Ford Motor Co., Milpitas, California.

The Labor Market for Displaced Workers

Displaced automobile workers whose plant did not close did slightly better than other displaced workers in finding new jobs.[1] Between January 1979 and January 1984, 63 percent obtained new employment, compared with 60 percent of all dislocated workers. In this respect, financial services employees had the best record (79 percent); those in primary metal industries fared the worst (46 percent).

One reason for this favorable result is that the auto industry's 1983 recovery enabled plants to recall some workers. Where the facility had closed, this option was not available. For employees in this group, the proportions unemployed or out of the labor force in January, 1984, were a "bit" higher.

[1]Paul O. Flaim and Ellen Sehgal, "Displaced workers of 1979-83: how well have they fared?", *Monthly Labor Review*, June, 1985.

participation in the assessment, basic education, retraining and placement programs). Although a transfer to another company location was an option, the commitment to their California residences was substantial.

The Ford-UAW Education and Training Program

By widespread agreement, the Ford-UAW job initiative was the most ambitious in U.S. labor-management history. It recognized that finding employment for displaced workers required extensive basic education, retraining and job development. (See Table 7.) It differed from other efforts examined in this study in emphasizing these aspects of the program and, by implication, relegating job-search techniques to a relatively minor role.

The company-union initiative was also considerably more expensive than other programs. Ford and the UAW obtained more than $4 million in JTPA, Title III and related state funds and matched this disbursement with over $3.3 million in in-kind assistance, direct costs, and grants from other sources. The scale and cost of the project belied the simplicity of its underlying concept—to establish an all-purpose, adult education, training and placement center for displaced workers while continuing to assemble cars and light trucks for the first six months of the institution's existence.

Two preexisting arrangements were the foundation for this undertaking. The employee-involvement program was an efficient vehicle for disseminating information and responding to worker concerns. Two weeks prior to the closure announcement, the company and the union established the Employee Development and Training Panel (EDTP) to address the needs of the 150 who were then laid off. This panel of company and union representatives, working with consultants from the California Employment Development Department (EDD), Milpitas Adult Education, and others played a coordinating role.

In going forward with these initiatives, the UAWFord National Development and Training Center, with its professional

Table 7: Ford-United Automobile Workers Education and Training Data

Adult Education	*Number*
Percent of participants scoring below twelfth-grade proficiency on test of adult basic education:	74
Took high school equivalency course:	310
Passed high-school equivalency examination:	175
Spanish-speaking (limited or no English): Approximately	200
Took English-as-a-second language classes:	89
Developed "employability plans":	1,997
Training and Retraining	
Total number of participants (Milpitas Adult Education):	770
Total enrollments (Milpitas Adult Education):	1,456
Total enrollments (in-plant education):	2,800
Targeted Vocational Retraining Enrollments:	
Group Sessions:	543
Non-Group Sessions:	205
On-the-job training contracts:	300

staff and financial resources, played an important early role in setting up targeted vocational retraining programs, providing emergency financial support for adult education and supporting other local company and union efforts. It was a sounding board for deciding the needs and goals of the program, choosing the individual service providers, promoting the skills of the work force, and conducting an ongoing evaluation of the program.

Once the closing was announced, the EDTP quickly established a four-part program. The elements included: (1) severance and benefits explanation, (2) assessment, (3) basic education and retraining, and (4) job development and placement. The panel members knew that early involvement of community leaders would help in anticipating problems and getting better results. Six days after the closing was announced, the panel met with a group that included state government officials, bankers and educators.

All who attended this meeting agreed on a key point: The plant was the single most important resource they had. One said: "We have manifold in-house facilities. We have training and conference rooms, and other facilities that we could put together, given the right set of circumstances." But quick action was necessary to help an already overworked staff. Workers and potential employers were already calling in. The operation was beginning to look like "a one-armed paperhanger in a windstorm."

In one way or another, everyone shared certain overriding concerns:

(1) Employees would have to accept the closing decision as final. Absent that acceptance, they would not be motivated to seek company and union assistance in their job searches.

(2) Communicating the full range of severance benefits and basic-education and training opportunities would be

difficult; but this effort would at least be possible as long as the plant remained open. Reaching people after the shutdown would be a serious problem.

(3) It would not be easy to persuade workers who had held jobs for many years to be tested on their basic skills. Without this assessment, however, no sensible training program geared to individual abilities could be devised.

(4) Worker expectations might be unrealistic. A case in point was the desire of participants in some previous programs to become crop dusters—an occupation that requires a four-year training course. Another panel member noted that "buzz words" cause a lot of misinformation: "Some people have no idea what a computer programmer is. They think it is sitting in front of an Atari machine and watching all those wonderful things come up." The educators at the meeting felt that one-on-one counseling was critical in bringing potential crop dusters and Atari players down to earth.

(5) Technical and bureaucratic barriers might hinder the program. The participants were optimistic: "We have freedom to do things we could not do before. We can waive the residency requirement for enrollment. There is equipment space and instructors for training in diesel, auto, cable and television." Despite these bright spots, it was the general view that intensive lobbying at all governmental levels would probably be necessary to remove bureaucratic impediments that might arise.

(6) Union officers attached a high priority to getting the 403 employees with less than 10 years' service into the program first. As this group was only eligible for a maximum of eleven weeks of supplemental unemployment benefits (SUB), they had less time to find new jobs.

Severance Benefits and Retirement

Ford's severance pay and benefits were both generous and complex. Provided they were not eligible for any other plan (e.g., SUB), all *salaried* employees who had been with the company for more than one year received two-months' pay. For each year of service up to nine, the company gave an additional half-month's salary. Those who had more than 10 years of service got 20 months' salary, allocated over a 40-month period.

Severance for hourly workers was according to the union's supplemental unemployment benefit plan, which is also based on service. Over one-quarter of them (538) had been with the company for more than 20 years and were eligible for up to 104 weeks of SUB. More than 80 percent of the hourly workers received medical coverage for 25 months following the employee's last day of work. Only one employee qualified for less than nine months of additional health-care benefits.

Ninety-two percent of the union members were eligible for a retirement benefit; 265 were entitled to full benefits at the time of closure. According to company and union estimates, approximately 500 eventually selected retirement option.

These figures suggest a potentially serious impediment to the Ford-UAW project that was not discussed by company and union officials: For many employees, liberal severance and health-care coverage may have reduced a sense of urgency to find another job. Although program participation was high, it might have been even greater if the severance formula had provided less of a cushion.

Adult Education

Both the company and the union anticipated that lack of basic education would be a problem for many workers. Employees were asked to take the Test of Adult Basic Education (TABE) that measures the grade level of participants in reading, mathematics and language. The results showed that the concern was well-founded: Over 1,200 (74 percent) scored below the twelfth-grade level. Although the largest group fell between the seventh-and eleventh-grade levels, 5 percent placed below fifth grade. Of the 310 who were persuaded to take a high-school equivalency course, 175 eventually improved their skills and passed the GED examination.

Company and union sources recalled that the TABE caused some workers embarrassment. When interviewed, one said he thought the "tests were kind of dumb," but these occurrences were isolated. The union played the major role in getting its members to take the test. There was a special concern for the 150 to 200 workers who only spoke Spanish (some of whom could not read or write). A Spanish-speaking union official was assigned the task of focusing on this group, and he persuaded 89 to take classes in English as a second language.

The second step was for employees to take the Career Ability Placement Survey (CAPS). This test provides an overview of a worker's potential strengths and weaknesses. By measuring abilities such as mechanical and verbal reasoning, numerical and verbal abilities, perceptual speed and accuracy, and manual dexterity, the test enabled counselors to compare the participant's abilities to on-the-job requirements for 14 occupational groups. EDD counselors then held individual sessions to discuss a realistic range of alternatives. Eventually, 1,997 employees developed employability plans as a result of these meetings. (Apparently a number of these plans were developed without using the TABE or CAPS test.)

Training and Retraining

The program offered four different types of education for reentering the job market. One curriculum focused on basic and remedial skills training, and was conducted by the Milpitas Adult Education program. Since many of the 770 participants took more than one course, the total enrollment was 1,456. Key accomplishments of this program have already been noted in the GED and English-as-a-second-language areas, but students also took courses in algebra, electronics, mathematics and typing, among others.

The second educational track was the most innovative of the four. While waiting for federal and state funds, the EDTP panel used Ford employees for short, in-plant vocational

training courses (two to ten days) in subjects such as personal computers, auto upholstery, mechanics and statistical quality-control. The courses were not intended to qualify the workers for these occupations, but to help them decide where their vocational interests lay. The classes were quite popular: Enrollment exceeded 2,800, and nearly 900 attended the statistical quality-control sessions.

The third group of programs, also held in the plant, were handled by outside providers. They included a mix of self-help meetings (financial counseling, explanation of social security benefits) and classes with a vocational focus (seminars on small business operation, real estate, bartending).

The fourth approach provided targeted vocational retraining for jobs as welders, machinists, computer repair, and plant-maintenance mechanic. Five hundred and forty-three people enrolled in the group retraining sessions. Prepaid tuition assistance subsidized 205 enrollments for individuals who attended nongroup sessions at various adult education centers.

Throughout this period, the EDTP group, with the advice of EDD, continued to evaluate all programs for their usefulness and to develop a profile of group needs. Although car and truck assembly continued for six months, down-time periods were used for orientation and instruction.

Job Development

Former employees who have already found jobs are a major source of information about vacancies. For this reason, and because placement was the company's primary objective, Ford established a review system under which any worker could leave to accept another job prior to the closing without losing layoff benefits. Other initiatives included:

* Periodic contact with former workers and coordination with EDD.
* Arranging plant visits and tours for representatives from more than 45 companies.
* Promoting the quality of both the work force and the retraining programs through an aggressive advertising campaign. (See Exhibit 10.)

On-the-Job Training

On-the-job training (OJT) was a special part of job development. Using funds obtained from the California Employment Training Panel, the company was able to place 300 employees in job contracts that reimbursed the employer for a percentage of the wages during the first 90 days. Under the terms of the contract (Exhibit 11), a private employer would earn the full subsidy if:

(1) The position paid more than $5.50 per hour;
(2) The worker was offered a full-time, permanent job;
(3) Ford and the employer agreed to a specific training course for the job title;
(4) After completing the training, the trainee kept the job for 90 days.

During the 90-day period, employees were evaluated for attendance, attitude and performance at 30-day intervals. The average wage for the program participants was $8.50, and the typical reimbursement for an employer was $2,800, or approximately 60 percent of the employee's salary for the first three months.

Company officials said the OJT reimbursement was an important incentive to hesitant employers. For many who were reluctant to hire former union employees at lower wages, the subsidy helped tip the balance in favor of the Ford workers. The continuing operation of the plant was also important. Employers could visit the facility and see its high quality and productivity for themselves. They could also relate the skills of potential employees to their own staffing needs.

The only real problem of the OJT program was paperwork. The California Employment Training Panel, which funded the project, changed report forms four times and, at the outset, asked for information that Ford managers found to be burdensome and time-consuming to assemble.

Transfers and Conventional Placements

Over 200 hourly workers amd 85 salaried employees elected to transfer to other Ford locations, but 26 eventually returned to California. Most of those who came back did so because they preferred the California climate. As of September 1, 1984, the company had placed 748 workers with 385 new employers. The number of new employers suggests the critical role of job development: Many of the firms were small and, quite possibly, unknown to the company when the closing was announced. Taking transfers and OJT placements (both reimbursable and nonreimbursable) into account, Ford estimated that 1,460 were employed (some of them remained at Ford working on the outplacement project or on benefits administration) and 308 still required assistance. The Center remained open for this purpose until June, 1985.

Buried in these statistics are a few unusual success stories. One man wanted to start a dairy farm. He got substantial company assistance with the complex procedures required for the approval of milk sale. Another worker took the bartending course. After gaining experience in a tavern called "The Last Laugh," a local "comedy store" which featured floor shows with aspiring comedians, he and a friend opened a similar establishment in Oregon.

* * *

On balance, Ford and the UAW were pleased with the results and believe that their job-replacement program was the best possible solution to a difficult problem. They also feel that the effort was cost-effective. Although all the results will not be in for some time and will be hard to evaluate, they think that the company's out-of-pocket expense of $650,000 will be recouped by the savings from early settlement with the union of all outstanding workers' compensation claims (an outcome which is directly attributed to the mutual good will engendered by the program), and by reduced unemployment-compensation insurance costs.

Exhibit 10: Ford Motor Company: Advertisement of Work Force

We've Learned to Work Together.

Now We'd Like to Get Together With You.

Quality. It's a major concern for every company. That's why you, as an employer, should know about an available group of people who are trained and knowledgeable in quality circle techniques. People who are ready to bring those skills to your firm. The workers from Ford's assembly plant in Milpitas.

People Who Know Quality.

Two years ago, Ford began one of the most extensive quality circle programs in industry, our Employee Involvement (E.I.) program. Management and workers at Milpitas got together to exchange ideas, air problems, and find better ways to build our cars and light trucks.

The results speak for themselves. Markedly fewer incidents of repair coming off the line. And a much higher rate of customer satisfaction. Ford in Milpitas was one of the top-rated assembly sites in the country for quality.

But trends in the automotive industry do not change overnight. So Ford is closing Milpitas. But we want you, the employers of the Bay Area, to take advantage of our E.I. effort. And we're willing to support our people with training assistance.

Training Subsidies Available.

Right now, Ford is offering our Milpitas people a wide variety of skills training courses, including basic skills enhancement, microwave technician training, machining, advanced welding and statistical quality control. These and other courses are designed to help these individuals learn the skills of today's technology. We recognize, however, that each company and every position require their own specialized training.

So subsidies of up to $3,000 will be available from the California State Employment Training Panel for employers who hire ex-Ford employees.

This is a rare opportunity for you to hire loyal, hard working people who know the need for strict quality consciousness. With assistance to help you train them.

Let's Get Together.

Our people are eager and ready to show you their capabilities. So act now. To find out more about the training subsidies, and the many skilled individuals that come with it, call (408) 945-4141. If you're out of the area, call COLLECT.

Ford

Ford Motor Company
Milpitas Assembly Operations

An equal opportunity employer, m/f/h/v.

Exhibit 11: Ford Motor Company: On-The-Job Training Contract

TELEPHONE:_____
DATE OF HIRE:_____

JOB DEVELOPER:_____
AMOUNT OF O.J.T.: $3,000.
HOURLY WAGE RATE $13.00

Body and Assembly
Ford Motor Company

San Jose Assembly Plant
P.O. Box 1101
San Jose, California 95108

GUIDELINES FOR EMPLOYERS:

Be a private employer who has the capability of providing bona fide on-the-job training.
Hire and compensate the participant the same as any other new employee would be.
Provide training in accordance with an approved training outline (see below).
Advise Ford if participant is not progressing satisfactorily and provide Ford with performance reviews every 30 days for 3 months.
Do not displace another employee with an O.J.T. trainee.
O.J.T. position must be a full time job.
Ford will handle the administrative work for the O.J.T. program; i.e., processing forms for reimbursement, developing training outline and records of the program.
Reimbursement will be scheduled as follows: 75% of the total reimbursement allocated for training will be paid after the initial training period (i.e., 90 days). The remaining 25% will be paid 90 days following the end of the initial training program.

TRAINING OUTLINE: Job Title - Mechanic - 90 Day Contract	HOURS
Plant and Shop Safety Practices.	40.0
Shop Equipment Familiarization.	80.0
Introduction and Control of Process Equipment.	100.0
Introduction and Control of Packaging Equipment.	100.0
Maintenance of Facilities Equipment.	100.0
Preventive Maintenance Schedules/Methods.	40.0
Troubleshooting Methods.	80.0

FORD APPROVAL: _____ Date

EMPLOYER APPROVAL: _____ Date

Looking back on the whole experience, company and union officials felt that there had been a number of close calls, times when the project had been in serious jeopardy. The major problem was funding delays, particularly with JTPA, Title III. Also cited were sporadic turf battles among various state and local officials.

Although it achieved positive results, the Ford-UAW experience would be hard for other employers and unions to duplicate. It took a vigorous effort to achieve success—involving one of the nation's largest companies, a highly sophisticated union, and an activist state government. Ford was able to meet its costs from its own cash flow when there were funding delays. The Ford-UAW committee was working with a group of state officials and educators who were able to contribute vast experience and expertise to the project, and the local and national political climates were favorable.

Community and Social Problems

Prior to closing the San Jose plant, Ford and the UAW had an active employee-assistance program (EAP) for substance and alcohol abuse. Recognizing the need for a full-time counselor to supplement the work of the Outplacement Center, the EAP coordinator was added to the staff. He had worked at the plant for 30 years, and knew most of the employees. In his judgment, the prevalence of alcohol and substance abuse did not increase, but there was a dramatic rise in the number of those who were willing to seek help. Approximately 220 (nearly ten percent) came in. He recalled that "there were very few self-referrals before the closure. I only got them when they were pushed by a grievance or by union discipline. Now they were coming in on their own, and it was not just the assembly-line workers, I also had four salaried workers. Most of these people had two years of extended medical coverage and they wanted to clean up the problem before their insurance ran out. Approximately 40 sought help because alcohol or drugs had gotten them into trouble with the law. We helped by sending someone to court with them."

Some community assistance came from the United Way

of Santa Clara County, which allocated $225,000 to a six-month Emergency and Unemployment Assistance Fund in 1982. The money was used to coordinate and supplement the efforts of five agencies that provided emergency food, clothing and shelter; financial counseling; and information referral for the entire community. Some money was also used to provide shelter for homeless workers and to develop a resource guide. Ford workers sought help from agencies that provided assistance with utility payments and credit counseling. To meet the increased temporary demand for food, the union established an emergency food network with the local food bank. Although the United Way continues to operate the program, the union is no longer involved.

The Employees' Reactions

Employees who were interviewed were of two minds on the plant closing and the related programs. On the one hand, the education and training program won praise even though there were isolated complaints that it was sometimes difficult to get information in the early days of the program. One of the early classes was criticized by a participant who complained that students "were so poorly screened" and it looked like "they were trying to fill the place with bodies." And, one man continued: "There was a total disregard for what we wanted to learn." But this individual also conceded that his complaint got a prompt response from the union business agent and the situation improved. After it had been in existence for several months, everyone agreed that the Center was a highly effective operation.

On the other hand, interviewees were less sanguine about the series of events and decisions that had culminated in the shutdown. The Employee Involvement Program had generated real improvements in quality and productivity—and it had raised expectations. There was substantial bitterness that all the effort had still resulted in closure—particularly since their plant had become one of the most efficient in the Ford system. There were those who felt that the decision was both unnecessary and foolish because they expect that, at some future date, the company will again be manufacturing cars on the West Coast.

One supervisor's story suggests the many problems involved in appraising the program from an employee's point of view. Although he was paid $25 an hour (including fringe benefits), he lived in Santa Cruz and had a one-and-one-half hour commute to the factory. Within weeks of the closure he found a job with a high-technology company in Santa Cruz worth $27 an hour. A year-and-a-half later, his new employer went bankrupt. For this person, and for many others like him, it will be a long time before anyone can say with certainty how effective the Ford-UAW program, or other efforts like it, really are.